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Supreme Court, U.S.
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No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1986

FINANCIAL INFORMATION, INC.,

Petitioner,

– against –

MOODY'S INVESTORS SERVICE,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

ARTHUR M. LIEBERMAN
DAVID A. KALOW
Counsel for Petitoner
LIEBERMAN, RUDOLPH & NOWAK
292 Madison Avenue
New York, New York 10017
(212) 532-4447

QUESTIONS PRESENTED FOR REVIEW

The questions presented, as to which the Courts of Appeals are in direct conflict, are:

1) WHETHER DATA BASED FACTUAL COMPILATIONS OR NON-FICTION WORKS SHOULD BE HELD TO A SPECIAL AND PARTICULARLY RESTRICTIVE STANDARD OF COPYRIGHTABILITY.

2) WHETHER THE DISTILLATION AND VERIFICATION OF PUBLIC DOMAIN DATA, DEMONSTRATES SUFFICIENT SELECTION, COORDINATION, OR ARRANGEMENT TO CONSTITUTE AN ORIGINAL COMPILATION ENTITLED TO COPYRIGHT PROTECTION.

3) WHETHER THE INCREMENTAL (DAILY) PUBLISHING OF A SUBSEQUENTLY COPYRIGHTABLE WORK IS PRECLUDED FROM COPYRIGHT PROTECTION.

Petitioner FII[1] extracts and distills selected information from public

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[1]. STATEMENT PURSUANT TO RULE 28.1

Petitioner Financial Information, Inc. ("FII") has no parent or subsidiary or corporations; its only affiliate is Financial Publishing, Inc.

domain called bond redemption notices from a variety of sources, primarily newspapers. After editing into its own simplified and easily understandable form, the call notices are cross-checked and published on file cards and sold to subscribers. Respondent Moody's, a competitor and then a subscriber, copied about half of its rival called bond service from FII.

This case involves basic questions on the protection of data bases, and a circuit which has ignored this Court's recent instructions to protect author incentives.

The United States of America is already moving from an industrial to post-industrial, information-based society, where more than ever "knowledge is power." The technology of the

future, the ability to thrive in the modern "flood of information," is still in its fragile infancy. Without legal protection, the large can devour small creators. Respondent Moody's, and its parent Dun & Bradstreet, may not need effective protection for their numerous collections of public domain information -- but small companies like Petitioner FII do.

The Second Circuit's decision leaves a wrong without a remedy, both doing injustice and making bad law for major and growing part of society's effort and wealth, jeopardizing the entire Information Industry.

TABLE OF CONTENTS

QUESTIONS PRESENTED FOR REVIEW . . . i

STATEMENT PURSUANT TO RULE 28.1 . . i

TABLE OF AUTHORITIES vi

OPINIONS BELOW 2

BASIS OF JURISDICTION 3

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED . . . 3

STATEMENT OF THE CASE 5

A. FACTUAL BACKGROUND 5

B. THE DECISIONS BELOW 7

ARGUMENT 8

POINT I THE SECOND CIRCUIT DECISION CONFLICTS IN PRINCIPLE WITH RECENT SUPREME COURT HOLDINGS AND DESTROYS THE INCENTIVE OF FIRST AUTHORS TO CREATE ORIGINAL WORKS . 13

Conflict with Supreme Court Cases . 14

Public Protected Without Narrowing Copyrightability 19

Originality 23

POINT II THE SECOND CIRCUIT, IN DIRECT CONFLICT WITH THE HOLDINGS OF OTHER CIRCUITS, REDEFINED AND SEVERELY LIMITED THE SCOPE OF WHAT IS PROTECTED UNDER THE COPYRIGHT LAWS IN NON-FICTION WORKS AND COMPILATIONS 27

Rockford Map 33

CONCLUSION 37

TABLE OF AUTHORITIES

CASES

Alfred Bell & Co. v. Catalda Fine Arts, 191 F.2d 99, 103 (2nd Cir. 1951) . 23-24

Building Official & Code Administrators International, Inc. v. Code Technology, Inc., 628 F.2d 730 (1st Cir. 1980), on remand, 210 U.S.P.Q. 289 (D. Mass. 1980) 28

Congressional Committee v. Legi-Tech Corp., 795 F.2d 190, 194 (D.C. Cir. 1986) 29-30

Cooling Systems and Flexibles, Inc. v. Stuart Radiator, Inc., 777 F.2d 485 (9th Cir. 1985) 28, 35

Donald v. Uarco Business Forms, 478 F.2d 764 (8th Cir. 1973) 25

Donaldson v. Zack Meyers T.V. Sales and Service, 426 F.2d 1027 (5th Cir. 1970) 25

Durham Industries, Inc. v. Tomy Corp., 630 F.2d 905. 910 (2nd Cir. 1980) . . 24

Eckes v. Card Prices Update, 736 F.2d 859, 862 (2nd Cir. 1984) 10

Ehat v. Tanner, 780 F.2d 876 (10th Cir. 1985) 25, 28

FII v. Moody's, 808 F.2d 204 (2nd Cir. 1986) . . . 3, 7, 10-12, 16, 22, 31, 32

FII v. Moody's, 751 F.2d 501 (2nd Cir. 1984) 2, 7, 22, 25, 29

FII v. Moody's, 231 U.S.P.Q. 803 (S.D.N.Y. 1986) 2, 7

FII v. Moody's, (CCH) Copy L. Rep. Para. 25,617 (S.D.N.Y. 1984) 2, 7

FII v. Moody's, 599 F. Supp. 994 (S.D.N.Y. 1983) 2, 7

Goldstein v. California, 412 U.S. 546 (1973) 17, 18, 24

Harper & Row Publishers, Inc. v. National Enterprises, 471 U.S. 539 (1985) . . 8, 9, 11-12, 14, 15, 31, 34

Hoehling v. Universal City Studios, 618 F.2d 972 (2nd Cir.) cert. denied, 449 U.S. 841 (1980) 10, 31, 32

Hutchinson Telephone Co. v. Fronteer Directory Co., 770 F.2d 128 (8th Cir. 1985) 25, 29

Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470 (1970) 18

M. Kramer Manufacturing Co., Inc. v. Andrews, 783 F.2d 421 (4th Cir. 1986) 25, 35

M.M. Business Forms Corp. v. Uarco, Inc., 472 F.2d 1137 (6th Cir. 1973) . 25

Mazer v. Stein, 347 U.S. 201 (1954) . . 26, 35

Meyers v. Mail & Express Co., 36 C.O. Bull. 478 (S.D.N.Y. 1919) 32

Miller v. Universal City Studios, Inc., 650 F.2d 1365 (5th Cir. 1981) 27

Original Appalachian Artworks, Inc. v. The Toy Loft, Inc., 684 F.2d 821 (11th Cir. 1982) 25

Rockford Map Publishers v. Directory Service Co. of Colorado, Inc., 768 F.2d 145 (7th Cir. 1985) 8, 16-17, 21, 25-26, 27, 33-36

Rosemont Enterprises, Inc. v. Random House, Inc., 366 F.2d 303 (2nd Cir. 1966), cert. denied, 385 U.S. 1009 (1967) 30

Sony Corp. of America v. Universal City Studios, 464 U.S. 417 (1984) 12, 17, 34

Southern Bell Telephone & Telegraph v. Assoc. Telephone Directory, 756 F.2d 801 (11th Cir. 1985) 27

Toksvig v. Bruce Publishing Co., 181 F.2d 664 (7th Cir. 1950) 30

Twentieth Century Music Corp. v. Aiken, 422 U.S. 151 (1975) 19

United States v. Hamilton, 583 F.2d 448 (9th Cir. 1978) 25

West Publishing Co. v. Mead Data Central, Inc., 799 F.2d 1219 (8th Cir. 1986), cert. denied, 107 S.Ct. 962 (1987) 21, 24, 35

Whelan Assoc. v. Jaslow Dental Laboratory, 797 F.2d 1222 (3rd Cir. 1986) . . 28

CONSTITUTION, STATUTES AND RULES

U.S. Constitution, Article I, Section 8, clause 8 3

17 U.S.C. §101 . . . . . 4, 10, 22, 32

17 U.S.C. §103 . . . 4, 11, 16, 22, 34

17 U.S.C. 107 21-22

17 U.S.C. §301 18

17 U.S.C. §504(b) 6

28 U.S.C. §1254(1) 3

28 U.S.C. §1291 3

28 U.S.C. §1331 3

28 U.S.C. §1338 3

Copyright Act of 1909, Section 7 . . 9

Copyright Act of 1790 . . . . 9, 17, 37

OTHER

House Rep. 94-1476 at page 132 (1976) . 18

Senate Report 94-473 at 116 (1975) . 18

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Denicola, Copyright in Collections of Facts: A Theory for the Protection of Nonfiction Literary Works, 81 Colum L.R. 516 (1981) 30

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Stimson, Note: Factual Compilations-Copyright Protection for Compilation Depends On Degree of Originality Involved in Assembling Facts - Financial Information Inc. v. Moody's Investor's Service, Inc., Journal Copyright Society of the U.S.A., Vol. 33, No. 1 (Oct. 1985). 30

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PETITION FOR A WRIT OF CERTIORARI TO
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Financial Information, Inc. ("FII"), petitions for a writ of certiorari to review the second opinion of the United States Court of Appeals for the Second Circuit entered in this action on December 22, 1986. A timely filed petition for rehearing with en banc suggestion was denied on February 19, 1987.

OPINIONS BELOW

There have been five opinions in this matter below, three by the District Court and two by the Court of Appeals. In chronological order, they are:

1. FII v. Moody's, 599 F. Supp. 994 (S.D.N.Y. 1983)(finding work copyrightable and denying defendant's motion for summary judgment)(Appendix E);

2. FII v. Moody's, (CCH) Copy L. Rep. Para. 25,617 (S.D.N.Y. 1984) (finding fair use after trial)(Appendix D);

3. FII v. Moody's, 751 F.2d 501 (2nd Cir. 1984) (reversing on fair use and remanding on copyrightability) (hereinafter referred to as "FII-3")(Appendix C);

4. FII v. Moody's, 231 U.S.P.Q. 803 (S.D.N.Y. 1986) (finding work not copyrightable)(Appendix B);

5. FII v. Moody's, 808 F.2d 204 (2nd Cir. 1986) (affirming, not copyrightable) (hereinafter "FII-5") (the decision appealed from, Appendix A).

BASIS OF JURISDICTION

This is an action for alleged copyright infringement over which the District Court had jurisdiction under 28 U.S.C. §1331 and §1338. The Court of Appeals had jurisdiction under 28 U.S.C. §1291. This Court's jurisdiction is invoked under 28 U.S.C. §1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article I, Section 8, clause 8 of the Constitution provides that:

> The Congress shall have Power ... to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

The Copyright Revision Act of 1976, 17 U.S.C. §101 provides in part that:

> A "compilation" is a work formed by the collection and assembly of pre-existing materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.

Section 103(b) of the 1976 Copyright Act states:

> The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the pre-existing material employed in the work, and does not imply any exclusive right in the pre-existing material.

STATEMENT OF THE CASE

A. FACTUAL BACKGROUND

FII collects, edits, checks and publishes a variety of financial and business information in several "services." At issue here is its Daily Called Bond Service, which reports to subscribers on redemptions ("calls") of municipal and corporate bonds. A few months before suit was brought, FII noticed a coincidence of one of its rivals (Respondent Moody's) publishing soon after FII, a pattern not present in its other competitor, Standard & Poors.

FII planted one intentional error, which Moody's promptly copied, and then researched the history of accidental error copying, finding copying at the rate of 7 out of 10 copied in 1980, and 8 for 8 in 1981.

At trial, a senior professor of statistics from Columbia University

testified that these numbers permitted a reasonably confident projection that Moody's was copying about half its called bond publication from FII's.

Moody's called bond publication is a small part of its larger work, so FII only claimed a corresponding fraction of Moody's sales in computing damages (infringer's attributable profits, see 17 U.S.C. § 504(b)).

In addition to a copyright claim for copying FII's expression of the facts, FII's complaint contained a second count for "misappropriation" of the time value of hot news, since Moody's was not publishing a historical or reference work of past redemptions, but rather copied and re-published well before the redemptions, in time for its subscribers to act on the notice and redeem their bonds without loss of interest.

B. THE DECISIONS BELOW

The district court initially held FII's work copyrightable, but based its reasoning on Seventh Circuit "effort" precedents. But at trial it found minimal copying, and in favor of the "fair use" defense. (FII-1 and FII-2).

In the first appeal, the Second Circuit found copying massive and no fair use, but remanded on copyrightability (FII-3). Interpreting the mandate as virtually requiring reversal of its prior decision, the district court then found FII's work unprotected both by copyright and misappropriation (FII-4).

In the decision now petitioned from, FII-5, the Court of Appeals, basing its decision on its own peculiar aversion to protecting fact-based works, found FII's "efforts" too minimal to deserve protec-

tion. It held the misappropriation claim was preempted, or that Moody's publication was not sufficiently "hot" because it was not before FII's. The most important cases of this Court and other circuits were not even mentioned, much less distinguished (see discussion below re Harper & Row and Rockford Map).

ARGUMENT

This Court recently warned the Second Circuit to better protect the incentives of authors:

> We agree with the Court of Appeals that copyright is intended to increase and not to impede the harvest of knowledge. But we believe the Second Circuit gave insufficient deference to the scheme established by the Copyright Act for fostering the original works that provide the seed and substance of this harvest. The rights conferred by copyright are designed to assure

> contributors to the store of knowledge a fair return for their labors. [Citation omitted].

Harper & Row Publishers, Inc. v. National Enterprises, 471 U.S. 539, 545-46 (1985). The decision below ignored that teaching entirely.

* * *

The Second Circuit's most recent decision in this case raises important issues concerning whether factual data based compilations are copyrightable. Data and facts are in the public domain and not copyrightable. However, compilations of facts have from the beginning been a proper subject of copyright. See 1790 Act - maps, books, charts; Copyright Act of 1909, Section 7 (Copyright on Compilations of Works in Public Domain or of Copyrighted Works; Subsisting Copyrights Not Affected). In the 1976 Act, Congress reaffirmed the long standing protection of data

compilations under the Copyright Act:

> A "compilation" is a work formed by the collection and assembly of . . . data that [is] selected, coordinated, or arranged, [and results] in an original work of authorship.

17 U.S.C. §101.

In its analysis of copyrightability, the Second Circuit stands, almost alone, adamant in its desire to narrow the scope of copyright protection afforded compilations and other non-fiction works.[2] For the past twenty years, the Second Circuit's restriction on the copyrightability of compilations--"chiefly on the ground that facts may

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[2] See the decision appealed from, FII-5 at 207 (2nd Cir. 1986) ("our well-established reluctance to grant copyright protection to works of non-fiction"), citing Eckes v. Card Prices Update, 736 F.2d 859, 862 (2nd Cir. 1984) ("we have been particularly restrictive of non-fiction works"); Hoehling v. Universal City Studios, Inc., 618 F.2d 972, 974 (2nd Cir.), cert. denied, 449 F.2d 841 (1980)("the scope of copyright in historical accounts is narrow indeed").

not be copyrighted"[3] -- continued, despite warning from this Court and without any justification of advancing its stated excuse of avoiding restricting the free flow of information to the public. That flow cannot be restricted by compilation copyright, since by definition, and as 17 U.S.C. §103 says clearly, the underlying facts themselves always remain available to the public, and protection only extends to the author's contribution. Thus, an unduly narrow scope of protection serves only to damage the public by destroying the incentive of first authors to create new works.

Accordingly, the decision in FII-5 conflicts in principle with this Court's decisions in Harper & Row Publishers, Inc. v. National Enterprises, 471 U.S.

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[3] FII-5 at 207.

539 (1985) and Sony Corporation of America v. Universal City Studios, 464 U.S. 417 (1984); conflicts with Constitutional and Congressional intentions underlying the Copyright laws; ignores the statutory test for compilations; and is in direct conflict with the holdings of several of the Circuits. The FII-5 decision ignores the fact that no public interests are advanced, nor are first authors encouraged to create works, when a subsequent author is allowed to freely copy from a first author's compilation of data, because that the facts themselves are always, already and forever publicly available.

POINT I THE SECOND CIRCUIT DECISION CONFLICTS IN PRINCIPLE WITH RECENT SUPREME COURT HOLDINGS AND DESTROYS THE INCENTIVE OF FIRST AUTHORS TO CREATE ORIGINAL WORKS.

The fundamental objective of the copyright laws is to encourage authors to create works -- with the limited property right of copyright protection providing the incentive -- thus resulting in a benefit to the public. Recent Supreme Court decisions interpreting the Constitutional and Congressional intentions underlying the copyright laws show that the laws are designed to encourage, stimulate, motivate and foster original works, and afterwards allow free public access to these creations upon expiration of the author's limited property rights. By narrowing -- indeed eviscerating -- the scope of copyright protection afforded compilations and

other non-fiction works, the Second Circuit runs contrary to these principles and cases, and works a disincentive for authors to create new works. Since the facts remain publicly available even when the compilation is protected, the Second Circuit's rule even fails to advance its claimed purpose of protecting the dissemination of information to the public. In short, the Second Circuit standard is too restrictive and thus damages both authors, and the public interest, benefiting no one.

Conflict with Supreme Court Cases

Recently, in Harper & Row Publishers, Inc. v. National Enterprises, 471 U.S. 539 (1985), the Second Circuit was reversed on essentially the same issue

-- for failing to strike the proper balance between public benefits and the interests of authors -- but there on the issue of fair use:

> We agree with the Court of Appeals that copyright is intended to increase and not to impede the harvest of knowledge. But we believe the Second Circuit gave insufficient deference to the scheme established by the Copyright Act for fostering the original works that provide the seed and substance of this harvest. The rights conferred by copyright are designed to assure contributors to the store of knowledge a fair return for their labors. [Citation omitted].

Harper & Row, 471 U.S. at 545-46.

Ignoring the warning in Harper & Row, the Second Circuit remains determined to require an author of a compilation to "jump a high hurdle" before his or her work is granted copyright protection -- ostensibly not to "risk putting large areas of factual research material off limits and threaten the public's unrestrained access to informa-

tion." FII-5 at 207. But the fear shows basic misunderstanding of the law: First, if the factual data being compiled is of a secret and private nature, the public would never benefit from such knowledge if the owner had no incentive to divulge or publish it. Second, and the more likely to occur, if the factual data is in the public domain, already published and publicly available (as in the case of bond redemption notices utilized by petitioner), then the public had already, and will continue, to derive its benefits. Under 17 U.S.C. §103(b), what is copyrightable is only the compiler's selection, coordination or arrangement of the data; never the underlying data. For example, a compiler/author may change the form of factual data and "make it more accessible or understandable." Rockford Map Publishers v. Directory

Service Co. of Colorado, Inc., 768 F.2d 145, 149 (7th Cir. 1985). Only the changes are protected, and only the changes need the incentive of protection:

> The limited grant [of a copyright] is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.

Sony Corp. of America v. Universal City Studios, 464 U.S. 417, 429 (1984).

Since the first United States copyright statute, in 1790, copyright protection has been expanded and broadened to include new categories of works and to include various technological advances. See Goldstein v. California, 412 U.S. 546, 562 at note 17 (1973). Since the first Act, compilations (then represented by "maps" and

"charts") have been an honorable parent -- not a spat-upon-beggar -- of the law. The Second Circuit's restrictiveness is thus contrary to the origin and growth of the law[4], and to the public interest,

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[4] If this Court sees the injustice in permitting massive taking without any remedy, but does not wish to deal with the copyright issue, the alternative grounds for reversal is misappropriation, petitioner FII's second claim. As in Goldstein v. California, 412 U.S. 546 (1973) and Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470 (1970), this Court should find no preemption of the common law claim, here on "hot news".

The Second Circuit erred in find 17 U.S.C. §301 preempts a "hot news" type misappropriation claim, because it is not "equivalent" to the copyright claim, differing in protecting only against (1) a pattern of taking, (2) by a competitor of (3) facts, not expression for (4) a limited time while the facts are "hot" to customers - here, before the municipal bond has been redeemed.

The legislative history expressly recognizes the absence of preemption for "hot news"; and there is no requirement that "business or financial data bases" be created or copied electronically. House Rep. 94-1476 at page 132 (1976); Senate Report 94-473 at 116 (1975). None of the cases cited by the Second Circuit dealt with

as this Court stated a decade ago:

> [The] immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.

Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975). Thus, "a balance of competing claims" must be struck. Id. The Second Circuit ignored this balance that must be struck between the rewards to individual authors and the benefits to the public.

Public Protected Without Narrowing Copyrightability

Reducing compilations to second-class status by placing copyright

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"hot news" type misappropriation; and none require that defendants publish "before" plaintiff -- just that he publish before the news has cooled and become mere history.

protection too far out of reach destroys much of the incentive to produce such works, while at the same time being unnecessary. The public domain facts are well protected by other elements in the law: the infringement test, the fair use defense, and the definition of what elements are protected.

Copyright infringement in compilation cases generally requires the finding of a high degree of similarity between two works: the similarity of facts is ignored; only similarity of expression is relevant. This Court should require the Second Circuit, as with others, to look to the contribution an author makes to a work, and if the contribution is smaller, so too is the scope of protection and author's

reward.[5] Rockford Map Publishers v. Directory Service of Colorado, Inc., 768 F.2d 145 (7th Cir. 1985), cert. denied, 106 S.Ct. 806 (1986); West Publishing Co. v. Mead Data Control, Inc., 799 F.2d 1219 (8th Cir. 1986), cert. denied, 107 S.Ct. 962 (1987). Similar, Factor Two of the "Fair Use" defense, 17 U.S.C.

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[5] One must consider what contributions an author makes to a work that is, or can by statute, be protected. Even petitioner's collecting of specific uncopyrightable facts (from the universe of available facts) requires some amount of selection. Further petitioner's editing, rewriting, and checking of necessity exhibit some--perhaps small, but certainly real--coordination, arrangement and further selection, and this is the "author's contribution."

Similarly, a historical account of a former president's life could be expressed in two biographical forms--one for adults and the other for elementary school-aged children. Both could utilize the same historical facts. And both should be copyrightable because each respective expression will be different. In all cases, the facts themselves (Hitler had a twin brother, etc.) cannot be owned by protection limited to expression of the idea.

§107 expressly recognizes greater license to use less "creative" works. See FII-3 at 509.

* * *

Most basically, the Second Circuit's conflict with other Circuits stems from a misconstrual of the statutory definition of compilations. Any emphasis on the "copyrightability of facts" is misplaced. The issue is not and cannot be whether facts may or may not be copyrighted (although FII-5 at 207 said it was); they can never be: "Copyright in a compilation extends only to the material contributed by the author", that is, the author's "selection, arrangement, or coordina-tion" of the facts, and there is never any "exclusive right in the pre-existing material." 17 U.S.C. §§ 101, 103(b).

Originality

Petitioner FII, collects bond redemption information from a variety of newspapers and then distills and checks the information for presentation to its subscribers. Subscribers pay for FII's collecting, distilling, checking and simplifying of the bond redemption information as presented in its bond cards. FII creates a new work by taking publicly available data and reducing it to a simplified and useful (e.g., more accurate, through checking) form. This is clearly an "original" work, as it differs from the source material.

The legal test of "originality" is minimal, essentially seeking some non-trivial, detectable difference between preexisting sources and the author's creation -- and then only the differences are protected. Alfred Bell

& Co. v. Catalda Fine Arts, 191 F.2d 99, 103 (2nd Cir. 1951) (Originality 'means little more than a prohibition of actual copying). It was recently held by the Eighth Circuit:

> To be the original work of an author, a work must be the product of some "creative intellectual or aesthetic labor." Goldstein v. California, 412 U.S. 546, 561 (1973). However, "a very slight degree of such labor[,] . . . almost any ingenuity in selection, combination or expression, no matter how crude, humble or obvious, will be sufficient" to make the work copyrightable. M. Nimmer, 1 Nimmer on Copyright, . . . Section 1.08 [c][1].

West Publishing Company v. Mead Data Central, Inc., 799 F.2d 1219, 1223 (8th Cir. 1986), cert. denied, 107 S.Ct. 962 (1987).[6]

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[6] The Circuits agree that not much is required for a work to be "original" in the copyrightable meaning of the word. See Durham Industries, Inc. v. Tomy Corp., 630 F.2d 905, 910 (2nd Cir. 1980) (the test of originality has been aptly characterized as modest, minimal, and as establishing a low

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threshold); FII-3 at 507 (independent creation not uniqueness, novelty or ingenuity); M. Kramer Manufacturing Co., Inc. v. Andrews, 783 F.2d 421, 440 (4th Cir. 1986) ("taint of originality"); Donaldson v. Zack Meyers T.V. Sales and Service, 426 F.2d 1027, 1030 (5th Cir. 1970) ("the amount of originality required [is] minimal"); M.M. Business Forms Corp. v. Uarco, Inc., 472 F.2d 1137, 1139 (6th Cir. 1973) ("any 'distinguishable variation' resulting from an author's independent creative endeavor will constitute sufficient originality."); Rockford Map Publishers v. Directory Service Co. of Colorado, Inc., 768 F.2d 145, 148-149 (7th Cir. 1985), cert. denied, 106 S.Ct. 806 (1986) (maps based on public facts are copyrightable, no matter how quickly or with what little effort they are produced); Donald v. Uarco Business Forms, 478 F.2d 764, 765 (8th Cir. 1973) (minimal amount of originality is necessary); Hutchinson Telephone Co. v. Fronteer Directory Co., 770 F.2d 128, 131 (8th Cir. 1985) (originality simply requires that the work be independently created.); United States v. Hamilton, 583 F.2d 448, 451 (9th Cir. 1978) (originality means that the particular work owes its origin to the author); Ehat v. Tanner, 780 F.2d 876 (10th Cir. 1985) (extracts from a 350 page transcript held copyrightable as a compilation); Original Appalachian Artworks, Inc. v. The Toy Loft, Inc., 684 F.2d 821, 824 (11th Cir. 1982) (originality for copyright purposes is something less than the novelty or

In sum, the benefits derived by the public from the free flow of information (via second authors who copy) must be balanced against the benefits to the public derived from new works created by first authors, via the incentive of copyright protection. By definition, the second author is free to utilize all facts and data to create a work similar, or even identical to that of a first author. However, a second author is not free to simply copy the first author's work. Mazer v. Stein, 347 U.S. 201 (1954). Since public domain data is always publicly available, the scales of copyrightability should shift in favor of encouraging authors to create new works based on such data.

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uniqueness necessary for patent protection; little more than a prohibition of actual copying).

POINT II THE SECOND CIRCUIT, IN DIRECT CONFLICT WITH THE HOLDINGS OF OTHER CIRCUITS, REDEFINED AND SEVERELY LIMITED THE SCOPE OF WHAT IS PROTECTED UNDER THE COPYRIGHT LAWS IN NON-FICTION WORKS AND COMPILATIONS

There is no divided panel to be found in this case, as the Second Circuit stands, almost alone, adamant in its rigid hostility toward fact-based works. Yet copyright protection would have been granted had FII been able to sue in the Fourth, Seventh or Eighth Circuits, whose respective holdings directly conflict with that of the Second Circuit.[7]

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[7] Limited support for the Second Circuit's position is found in two other circuits. See Miller v. Universal City Studios, Inc., 650 F.2d 1365 (5th Cir. 1981), and Southern Bell Telephone & Telegraph v. Assoc. Telephone Directory, 756 F.2d 801 (11th Cir. 1985); both cases reject copyrightability as being determined by an author's industrious effort. But as pointed out in Rockford

Protecting factual data compilations is an important federal question deserving of a uniform rule in line with Constitutional and Congressional intentions; there is no Supreme Court case

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Map Publishers, Inc. v. Directory Service Co. of Colorado, Inc., 786 F.2d 145 (7th Cir. 1985), the industrious effort or "sweat of the brow" rationale is really red herring. The copyrightability of compilations properly depends upon an author's contribution -- what distinguishes his or her work from the source -- and the smaller the contribution, then the smaller the protection.

The issue has also come up in other circuits without taking a position. See e.g., Building Official & Code Administrators International, Inc. v. Code Technology, Inc., 628 F.2d 730 (1st Cir. 1980), on remand, 210 U.S.P.Q. 289 (D. Mass. 1980) (compilation of official State Building Code held copyrightable); Whelan Assoc. v. Jaslow Dental Laboratory, 797 F.2d 1222 (3rd Cir. 1986) (sequence and organization of a computer program held copyrightable); Cooling Systems and Flexibles, Inc. v. Stuart Radiator, Inc., 777 F.2d 485 (9th Cir. 1985) (catalog of parts copyrightable, but lack of proper notice put in public domain); Ehat v. Tanner, 780 F.2d 876 (10th Cir. 1985) (extracts from a 350 page transcript held copyrightable as compilation). The Seventh and Eighth Circuits and probably the Fourth clearly disagree with the Second Circuit.

directly on point. Moreover, the conflict among the Circuits is long-standing and today poses a wide impact--computer databases alone are and will be a multi-billion dollar industry -- yet is unlikely to soon be resolved without Supreme Court guidance.

The split among the circuits was recently recognized by the District of Columbia Court of Appeals:

> As the Copyright Office itself observed . . . the copyrightability of compilations of data is a highly uncertain area of the law which has divided courts and commentators alike. See, e.g., Hutchinson Telephone Co. v. Fronteer Directory Co., 770 F.2d 128 (8th Cir. 1985) (following line of cases holding telephone directories to be copyrightable); FII v. Moody's Investors Service, 751 F.2d at 504-07 [FII-3] (discussing "opposing lines of cases and competing theories advanced by commentators" regarding copyrightability of compilations of data). We believe it unwise to add yet another voice to the current copyright cacophony when resolution of this issue may prove entirely unnecessary.

Congressional Committee v. Legi-Tech

Corp., 795 F.2d 190, 194 (D.C. Cir. 1986).[8]

* * *

The primary split is between the Second and Seventh Circuits and began over two decades ago with the criticism in Rosemont Enterprises, Inc. v. Random House, Inc., 366 F.2d 303 (2nd Cir. 1966), cert. denied, 385 U.S. 1009 (1967) of Toksvig v. Bruce Publishing Co., 181 F.2d 664 (7th Cir. 1950).

Rosemont planted a proper seed: an author is not "absolutely precluded"

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[8]. With respect to commentators, see 1 M. Nimmer, Nimmer on Copyright § 2.04[B], at 2-41, 42 (1986); Denicola, Copyright in Collections of Facts: A Theory for the Protection of Nonfiction Literary Works, 81 Colum. L.R. 516, 539 (1981); Patry, Latman's The Copyright Law, 63, 64 (6th Ed. 1986); Stimson, Note: Factual Compilations - Copyright Protection for Compilation Depends On Degree of Originality Involved in Assembling Facts - Financial Information Inc. v. Moody's Investor's Service, Inc., Journal Copyright Society of the U.S.A., Vol. 33, No. 1 (Oct. 1985).

from saving time and effort by referring to and relying upon prior published material. Id. at 310. But the weed that has grown from this seed is the Second Circuit's overzealousness in the name of protecting public dissemination of information, resulting in FII-5 and a holding that "wholly permits" extreme and extensive copying, a weed choking the life from the first author's incentive to create that which the second publisher takes.

Later, in Hoehling v. Universal City Studios, 618 F.2d 972 (2nd Cir.) cert. denied, 449 U.S. 841 (1980), supposedly to avoid a so-called "chilling effect" on second authors who make use of historical subject matter, the Second Circuit continued, as it later did in Harper & Row -- to ignore the chilling effect on the first author. Even the small hope in Hoehling that massive

takings would still be actionable has been dashed by the FII-5 refusal to remedy extensive reproduction. Hoehling's rationale was:

> Learned Hand counseled in Meyers v. Mail & Express Co., 36 C.O. Bull. 478, 479 (S.D.N.Y. 1919), "[t]here cannot be any such thing as copyright in the order of presentation of the facts, nor, indeed, in their selection.

618 F.2d at 978. But the quote is contrary to the 1976 statute, and clearly is no longer -- if ever -- good law. The statutory definition of compilations currently states just the opposite: Selection, arrangement and presentation -- or any one of them, as indicated by the statutory "or" -- is exactly what is protected. 17 U.S.C. §101.

Rockford Map

For a time, the Seventh Circuit accentuated this split by using the rationale of affording copyright protection to works based on an author's "industrious collection" or "sweat of the brow" effort. But this rift can now be healed -- by this Court reversing the Second Circuit and completing the start taken in Rockford Map Publishers, Inc. v. Directory Service Co. of Colorado, Inc., 786 F.2d 145 (7th Cir. 1985). Rockford Map provides a consistent theory to harmonize and rationalize the law, encompasses the principles set forth by this Court; the Congressional intent which underlay the copyright laws; and conforms with the statutory test for compilations.

In Rockford Map, maps based on public domain aerial photographs and deeds were held copyrightable as

compilations. Mindful of the congressional and constitutional intentions underlying the copyright laws, and various principles set forth by this Court, Rockford Map held that:

> the copyright in a compilation "extends only to the material contributed by the author of such work, as distinguished from any preexisting material employed in such work." [17 U.S.C. §103(b)] In other words, when the contribution lies in the arrangement of facts, only the arrangement is protected by the copyright.
>
> * * *
>
> The copyright laws are designed to give people incentives to produce new works. [Citing Harper & Row and Sony.] They allow people to collect the reward for their contributions. If the incremental contribution is small, so too is the reward. . .

786 F.2d at 148. Abandoning its prior rationale of copyright protection based on effort, "sweat of the brow", or "industrious collection" the Rockford Map looked to the contribution of the author:

> The copyright laws protect the work, not the amount of effort expended. A person who produces a short new work or makes a small improvement in a few hours gets a copyright for that contribution fully as effective as that on a novel written as a life's work. Perhaps the smaller the effort the smaller the contribution; if so, the copyright simply bestows fewer rights. Others can expend the same effort to the same end. Copyright covers, after all, only the incremental contribution and not the underlying information. Mazer v. Stein, 347 U.S. 201 (1954).

Id. It is, thus, not what the author does to create the work, but what results. Moreover, a "smaller the contribution the fewer rights bestowed" rationale, as mentioned, has been adopted by the various circuits.[9] A

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[9] See e.g., M. Kramer Mfg. Co., Inc. v. Andrews, 783 F.2d 421 (4th Cir. 1986); Rockford Map Publishers, Inc. v. Directory Service Co. of Colorado, Inc., 786 F.2d 145 (7th Cir. 1985); West Publishing Co. v. Mead Data Central, Inc., 799 F.2d 1219, 1223 (8th Cir. 1986), cert. denied, 107 S.Ct. 962 (1987); Cooling Systems and Flexibles, Inc. v. Stuart Radiator , Inc., 777 F.2d 485 (9th Cir. 1985). See West at 1223-

work may readily be copyrightable, yet not infringed under either the infringement test for compilations or the doctrine of fair use.

As to what an author actually contributes to a factual data compilation, the court stated:

> The contribution of a collection of facts lies in their presentation, not in the facts themselves. The collector may change the form of the information and so make it more accessible and so make the data more understandable.

Rockford Map at 149.

The nature of compiling factual data into simplified or more useful forms

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24:

> the standard for originality is minimal. It is not necessary that the work be novel or unique, but only that the work have its origin with the author -- that it be independently created.
>
> * * *
>
> an arrangement of opinions in a case reporter, no less than a compilation and arrangement of Shakespeare's sonnets, can qualify for copyright protection.

(e.g., computer or non-computer data bases) is a major distinction from historical accounts where the presentation of facts benefit from an author's more literary expression of such facts. But both literary and non-literary factual works deserve protection, as recognized since at least 1790 (only "books, maps and charts" protected).

CONCLUSION

The Second Circuit's opinion in this case affects -- and virtually destroys-- the copyrightability of factual data based compilations, with wide impact. The Court of Appeals has overcompensated in attempting to protect public interests by short-changing authors.

Thus, the Second Circuit's holding runs contrary to "author incentive"

principle of copyright law, consistently set under the Constitution, by Congress, by the opinions of this Court and by the holdings in several other Circuits. The conflict and importance of the issue is recognized by leading commentators and the Circuits themselves. Accordingly, a writ of certiorari to the Court of Appeals for the Second Circuit should issue.

Respectfully submitted,

May 19, 1987

Arthur M. Lieberman
David A. Kalow
LIEBERMAN RUDOLPH & NOWAK
292 Madison Avenue
New York, New York 10017
(212) 532-4447

APPENDIX A

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

No. 285—August Term, 1986

(Argued: November 5, 1986

Decided: December 22, 1986)

Docket No. 86-7598

FINANCIAL INFORMATION, INC.,

Plaintiff-Appellant,

— against —

MOODY'S INVESTORS SERVICE, INC.,

Defendant-Appellee.

Before:

LUMBARD, OAKES, and KEARSE,

Circuit Judges.

Appeal from judgment of the District Court for the Southern District of New York (Carter, *J.*). Plaintiff had

charged copyright infringement and unfair competition. On remand, the district court held that the material in question was not copyrightable and the state claims were preempted by federal law.

Affirmed.

DAVID A. KALOW, New York, New York (Arthur M. Lieberman, Lieberman, Rudolph & Nowak, New York, New York, of counsel), for Plaintiff-Appellant.

ROBERT M. CALLAGY, New York, New York (Mark A. Fowler, Satterlee & Stephens, New York, New York, of counsel), for Defendant-Appellee.

LUMBARD, *Circuit Judge*:

In this case, before us for the second time, Financial Information, Inc. ("FII"), which publishes a financial reporting service, charged Moody's Investors Service, Inc. ("Moody's"), another financial publisher, with copyright infringement and unfair competition. After a bench trial, the District Court for the Southern District (Carter, *J.*) held for the defendants. It found that the material in question was copyrightable, but that Moody's made "fair use" of it under the copyright statute. In *Financial Information, Inc. v. Moody's Investors Service, Inc.*, 751 F.2d 501 (2d Cir. 1984) (*Financial Information I*), we reversed and remanded for further factual findings to determine whether the material in question was copyrightable. On

remand. Judge Carter found that FII's material was not copyrightable and also dismissed the plaintiff's pendent state claim. Because we agree that FII's service is not a copyrightable compilation and that the state claims were preempted by federal law, we affirm.

I.

The relevant facts are set forth at length in Judge Oakes' opinion cited above. FII is a financial publisher. One of its works is called the "Financial Daily Card Service," from which it alleges Moody's stole copyrighted information. This service (hereafter "Daily Bond Cards") consists of packets of 4″ by 6″ index cards on which are printed information regarding municipal bonds which the issuer has elected to redeem, or "call." The information typically includes the identity of the issuing authority, the series of bonds being called, the date and price of the redemption, and the name of the trustee or paying agent.

The Daily Bond Cards seek to report all municipal redemptions. When a municipality or other government body calls a bond for redemption—and, consequently, stops paying interest—it publishes a notice of the call in one or more newspapers. Because these notices are not published in a single place, the "back offices" of financial institutions, which are ill-equipped to keep track of thousands of call notices each year, subscribe to called bond services such as FII's. FII's approximately 500 subscribers pay $279 per year for the daily reports, an annual cumulative volume and a filing cabinet.

The defendant Moody's offers a service called the Municipal and Government News Reports ("News Reports"), a bi-weekly supplement to a yearly publication called the Municipal and Government Manual. The

Moody's publication provides substantially more information than FII's—including Moody's own rating of the quality of the bonds. In addition, unlike FII, Moody's does not seek to report on all municipal bond redemptions; it reports on only those bonds which the company also rates. The Moody's service costs $840 per year, which includes not only the bi-weekly news reports, but also the annual Municipal and Government Manual, which is a comprehensive work containing a great deal of financial information about municipalities. The Moody's publication serves a far wider audience than the Daily Bond Cards, including libraries and government agencies as well as financial institutions.

According to FII, it noticed in 1980 a "coincidence of Moody's errata publishing after FII," and suspected that Moody's was copying FII's data. In December of that year, FII began planting some false information in its Daily Bond Cards. Moody's reproduced seven of FII's ten planted errors in 1980, and eight of eight errors in 1981. FII's expert witness stated that it was more than 95% certain that Moody's had copied 40-50% of FII's information in 1980 and 1981. Moody's, in response, presented substantial evidence of what it called the "independent creation" of its News Reports. It presented evidence that its research cost $700,000 to $1,000,000 per year.

The crucial issue on remand involved FII's efforts to produce its Bond Cards—which the district court described as a "simple clerical task." The cards contain only five basic facts about the bonds: the name of the issuer and a description of the bond (e.g. water, sewage, etc.); the redemption date; the redemption agent; the identification of the specific bonds being called, and the redemption price. Indeed, FII's advertising for its bond

service called attention to the simplicity and conciseness of the cards, describing them as appearing in "outline form" without any "superfluous matter." As the district court found, "all [FII] does is provide its subscribers with the requisite bond redemption data in simplified form for easy and ready reference."

FII's procedure for collecting the information for its cards was as rudimentary as the cards themselves. The FII clerks usually did nothing more than look through newspapers and write down the redemption information from the "tombstone" advertisements. When the "tombstone" contained additional or unusually complex information, the clerks would simply attach a photocopy of the "tombstone" to the FII card. Occasionally, the FII clerks would telephone the issuers or agents to verify or clarify information.

Theresa Moore, a former FII researcher, testified at the initial trial that she and her colleagues were clerks with no special skills who exercised no discretion in their jobs. According to the district court, "[s]he used no subjective analysis, but 'just took the information from what I saw in the tombstones and the articles in the paper.' " Also at the first trial, the FII managing editor, George Sheekey, described the researchers' duties much as Moore did: he said their jobs consisted essentially of doing a simple, repetitive task by rote.

Following remand, the district court afforded FII another opportunity to describe its editorial processes. FII called only one witness, Frances Zawilski, an FII assistant editor who formerly supervised Theresa Moore. The district court found that Zawilski "gave a far more inflated version of [Moore's] training process as an FII researcher." The district court questioned the credibility

of Zawilski's testimony, stating that "the court is now convinced that the testimony on remand was an attempt to enlarge and embellish a straight forward, simple but time consuming operation that had been fully and adequately explicated at the initial trial." Judge Carter concluded that "FII's researchers perform a simple clerical task. They go through the various publications, cut out the tombstones or redemption notices, extract from the notices the raw data—name of issuer, description of issue, redemption price, date, agent and serial number of bonds being called. . . . The only selectivity involved is principally one of format. . . . With this data, there is no room for selection or choices or judgment." Accordingly, the court held that the Daily Bond Cards were not copyrightable.

II.

Facts may not be copyrighted. The Copyright Act of 1976 does, however, expressly provide for the protection of "compilations," which are defined as works "formed by the collection and assembling of preexisting materials or of data that are selected, coordinated or arranged in such a way that the resulting work as a whole constitutes an original work of authorship." 17 U.S.C. § 101 (1982). The remand order instructed the district court to determine whether the Daily Bond Cards qualify as a copyrightable compilation.

Our leading case on the copyrightability of compilations is *Eckes v. Card Prices Update*, 736 F.2d 859 (2d Cir. 1984). "Card Prices Update" was a publication which comprehensively listed all baseball cards manufactured from 1909 to 1979. The Guide listed 18,000 different cards and in each case furnished the author's estimation of the going market price. The Guide also gave the price

for each card according to its condition: "mint, very good/excellent and fair/good." *Id.* at 860. In addition, the Guide divided all cards into premium (that is, valuable) and common (or less valuable) cards.

At the outset in *Eckes*, we noted our well-established reluctance to grant copyright protection to works of non-fiction—chiefly on the ground that facts may not be copyrighted. *See id.* at 862; *Hoehling v. Universal City Studios, Inc.* 618 F.2d 972, 979 (2d Cir.), *cert. denied*, 449 U.S. 841 (1980); *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 310 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967). *See also Harper & Row Publishers, Inc. v. Nation Enterprises*, 105 S. Ct. 2218, 2224 (1985) (copyright protects only the expression of facts, not the facts themselves). We stated in *Eckes* that "we have been particularly restrictive in the protection of non-fiction works indicating, for example, that the fruits of another's labor in lieu of independent research obtained through the sweat of a researcher's brow, does not merit copyright protection absent, perhaps, wholesale appropriation." *Eckes, supra*, 736 F.2d at 862. The statute thus requires that copyrightability not be determined by the amount of effort the author expends, but rather by the nature of the final result. To grant copyright protection based merely on the "sweat of the author's brow" would risk putting large areas of factual research material off limits and threaten the public's unrestrained access to information.[1]

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[1]FII alleges that Moody's engaged in "wholesale appropriation" under *Eckes, supra*, 736 F.2d at 862. Judge Carter did not directly address the question of "wholesale appropriation," but it is fair to infer from his observation that "both FII and Moody's regularly used each other for source material" that he would have found no such action by Moody's. The record supports a finding of no "wholesale appropriation." At most Moody's used the FII information to provide one small piece of informa-

Applying these principles in *Eckes*, we concluded that the Report was copyrightable, stating that "[w]e have no doubt that appellants exercised selection, creativity and judgment in choosing among the 18,000 or so different baseball cards in order to determine which were the 5,000 premium cards." *Id.* at 863. Here, in contrast, the district court concluded that FII's efforts fell far short of those involved in the production of the "Card Prices Update." The district court's determination of whether the work was sufficiently original to merit copyright protection was one of fact. *See Original Appalachian Artworks, Inc. v. Toys Loft, Inc.*, 684 F.2d 821, 824-25 (11th Cir. 1982). Relying in significant measure on its evaluation of the credibility of witnesses—which we are ill-disposed to disturb on appeal—the district court found that there was insufficient proof of "independent creation" to render the Daily Bond Cards copyrightable. The researchers had five facts to fill in on each card—nothing more and nothing less.[2] They sometimes did minor additional research in order to find these facts, but little "independent creation" was involved. This conclusion is amply supported by the record and certainly not "clearly erroneous."[3]

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tion for its News Reports. FII's expert witness testified that at the "statistical fringe," he would say that Moody's had copied 91% of the time, but that he was statistically certain that Moody's had copied only 40-50% of the time; Moody's submitted an exhibit demonstrating that of Moody's 1,400 called bond entries in one year, 789 could not possibly have come from copying FII.

[2]FII concedes that Moody's did not copy from the FII annual volume, so we are not required to decide whether that work was copyrightable.

[3]Judge Newman suggested hypothetically in his concurrence in *Financial Information I, supra*, 751 F.2d at 511, that the cards might be copyrightable as a series, but not as individual items. The district court rejected this theory, because there was no coordination or relationship between the cards. This conclusion was also fully supported by the record.

III.

The district court held that a finding that the cards were not copyrightable did not necessarily preempt the applicable state law regarding unfair competition. We agree. The Copyright Act declares only that state law rights which "are *equivalent* to any of the exclusive rights within the general scope of copyright" are preempted. 17 U.S.C. § 301 (1982) (emphasis added). The legislative history attempts to describe the forms of unfair competition which are "equivalent" to rights protected by federal copyright law and which are not:

> "Misappropriation" is not necessarily synonymous with copyright infringement . . . For example, state law should have the flexibility to afford a remedy . . . against a consistent pattern of unauthorized appropriation by a competitor of the facts . . . constituting "hot" news, whether in the traditional mode of *International News Service v. Associated Press*, 248 U.S. 215 (1918), or in the newer form of data updates from scientific, business or financial data bases.

H.R. Rep. No 94-1476, 94th Cong., 2d Sess., 132 *reprinted in* 1976 U.S. Code Cong. & Ad. News 5659, 5748.[4] The New York Court of Appeals has expressly acknowledged that the Copyright Act preempts some state misappropriation claims. *See Editorial Photocolor Archives, Inc. v. Granger Collection*, 61 N.Y.2d 517, 523, 474 N.Y.S.2d 964 (1984). *Accord Oboler v. Goldin*, 714 F.2d 211, 213 (2d Cir. 1983).

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[4]We need not explore the suggestion, noted in the House of Representative's report, that the use of information from "data bases" might subject the user to misappropriation claims, as the material in question here was obtained through conventional channels.

We are not persuaded by FII's argument that misappropriation is not "equivalent" to the exclusive rights provided by the Copyright Act. We have held that "state law claims that rely on the misappropriation branch of unfair competition are preempted." *Warner Bros., Inc. v. American Broadcasting Companies, Inc.*, 720 F.2d 231, 247 (2d Cir. 1983).

Nor do we believe that a possible exception to the general rule of preemption in the misappropriation area—for claims involving "any form of commercial immorality," 1 Nimmer on Copyright, § 1.01[B]1, at 1-20 to 1-21 (1986), quoting *Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp.*, 199 Misc. 786, 101 N.Y.S.2d 483, *aff'd*, 279 App. Div. 632, 107 N.Y.S.2d 795 (1951)—should be applied here. We believe that no such exception exists and reject its use here. Whether or not reproduction of another's work is "immoral" depends on whether such use of the work is wrongful. If, for example, the work is in the public domain, then its use would not be wrongful. Likewise, if, as here, the work is unprotected by federal law because of lack of originality, then its use is neither unfair nor unjustified.

Second, FII attempts to characterize its claim here as one of "misappropriation" of "hot" news, under *International News Service v. Associated Press*, 248 U.S. 215 (1918), a branch of the unfair competition doctrine not preempted by the Copyright Act according to the House Report. In *International News Service*, one wire service tapped the lines of another and printed the fruits of this effort at the same time the originator of the news reports distributed them to its subscribers. The Supreme Court's remedy was to force the misappropriator to cease publishing the "hot" news until after the originator could distrib-

ute it. *See also Bond Buyer v. Dealer's Digest Publishing Co.*, 25 A.D.2d 158, 267 N.Y.S.2d 944 (1st Dept. 1966) (one publisher of municipal bond news sheet sold teletype news to its subscribers before it published the material more widely; court enjoined second publisher from using that news in order to publish simultaneously with the first publisher).

FII proved neither the quantity of copying nor the immediacy of distribution necessary to sustain a "hot" news claim. Because of lead times, to the extent that Moody's did copy from FII, the information it published would have been at least ten days old. The "hot" news doctrine is concerned with the copying and publication of information gathered by another before he has been able to utilize his competitive edge. *See, e.g., International News Service, supra; Bond Buyer, supra.* We hold that FII failed to prove such a claim here.

Finally, FII contends that its Daily Bond Cards are not "work[s] of authorship" within 17 U.S.C. § 301(a) and, as such, claims based on misuse of the cards are not pre-empted. We disagree. As the House Report noted:

> As long as the work fits within one of the general subject matter categories of sections 102 and 103, the bill prevents the States from protecting it even if it fails to achieve Federal statutory copyright because it is too minimal or lacking in originality to qualify, or because it has fallen into the public domain.

H.R. Rep. No. 1476, 94th Cong., 2d Sess., 131 *reprinted in* 1976 U.S. Code Cong. & Ad. News, 5659, 5747. In rejecting copyright and unfair competition claims by a toy manufacturer in *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 919 n.15 (2d Cir. 1980), we held that even

though the toys in question were not "work[s] of authorship" under 17 U.S.C. § 301(a), the state law claims were still preempted. That the toys "lack[ed] sufficient originality to qualify for protection under the Copyright Act," *id.*, required rejection of the pendent state claim; our similar finding on originality here compels the same disposition.

IV.

The judgment of the district court is affirmed.

APPENDIX B

United States District Court
Southern District of New York

Financial Information, Inc.

v.

Moody's Investors Service, Inc.

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81 Civ. 6001 (RLC)

July 9, 1986

Robert L. Carter, U.S.D.J.

This case, here on remand, requires the court to reconsider its holding that the daily bond cards of Financial Information, Inc. ("FII") are entitled to copyright protection pursuant to 17 U.S.C. § 103(a). See 599 F. Supp. 994 (1983). Under that provision "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated or arranged in such a way that the work as a whole constitutes an original work of authorship" may secure

a copyright. Prior to the first trial the court denied a motion by Moody's Investor Services, Inc. ("Moody's") for summary judgment. The court found that FII, in amassing the data on its daily bond cards, had woven "together into a handy, coherent entity thousands of facts", id. at 998, and that "[s]uch laborious, painstaking compilation is certainly the type the copyright laws aim to protect." Ibid. At the trial that determination was not altered, but Moody's was awarded judgment on the basis of the fair use doctrine.

The Court of Appeals held that the fair use rationale was erroneous in light of Sony Corporation of America v. Universal City Studios, 484 U.S. 417, (1984), and implied that the basis for the court's decision holding the daily bond cards copyrightable might also be erroneous in light of Eckes v. Card

Prices Update, 736 F.2d 859 (2d Cir. 1984). See 751 F.2d 501 (2d Cir. 1984). In addition, it held that the court's finding of limited copying of plaintiff's product was also incorrect. The case was remanded for reconsideration of the copyright issues, for a determination of whether FII's "annual bound volume .... serves a real or merely, trivial purpose to the user", 751 F.2d at 507 and for consideration of the state claims in the event that FII failed to prevail on the federal claims.

The court's initial opinion emphasized the effort expended by FII in amassing the data on the cards as the basis for finding the daily called bond service subject to copyright protection. However, Eckes v. Card Prices Update, supra and the Court of Appeals' decision in this case make clear that that yardstick is no longer compatible with

Second Circuit law. In order to secure copyright protection the data collected on FII's index cards must involve "a modicum of selection, coordination or arrangement on FII's part," 751 F.2d at 507.

Execution of the assigned task on remand poses difficulties because of the marginal characteristics of FII's activities. Moreover, at the remand hearing FII introduced evidence tailored to the Court of Appeals opinion. The court's impression was that no additional evidence was necessitated by the Court of Appeals ruling, and certainly the remand hearing was not to become a forum to adduce testimony slanted to meet what the appellate court indicated was required.

However, plaintiff made the plausible observation that at the first trial, the court, having decided the

copyright issue in its favor, prevented it from making a full record on the steps, procedures, initiative and complications involved in collecting the daily bond card data. The court could not be certain, without reviewing the transcript of the first trial, that it had not so restricted plaintiff's proof. To guard against the possibility of unfair treatment, plaintiff was allowed, therefore, to introduce new evidence about its method and manner of amassing the daily called bond card information. However, after reviewing the transcript of the first trial (in which plaintiff was given full opportunity to explain how it went about securing the called bond card data) and the testimony at the remand hearing, the court is now convinced that the testimony on remand was an attempt to enlarge and embellish a straight forward, simple but time con-

suming operation that had been fully and adequately explicated at the initial trial.

No matter how FII attempts to dress it up, all it does is provide its subscribers with the requisite bond redemption data in simplified form for easy and ready reference. FII's daily called bond cards, therefore, contain the name of the issuer and a description of the bond, e.g. New York Power, Dormitory, etc.; redemption date and agent; identification of specific bonds being called, and redemption price. Generally when the "tombstone" (i.e. published notice) from which this information is gleaned contains additional or more complex data that should be conveyed, a copy of the tombstone is simply attached to the card.

The cards are prepared for use of back office brokerage houses and

banks. The virtue of the format is its simplicity. The purpose of the service is to give FII subscribers adequate notice of the date municipal and corporate bonds are to be called in for redemption. This information is vital to bondholders because a bond stops bearing interest after the redemption date.

Sometimes FII telephones the issuer or agent to verify or clarify information. The persons assigned the initial task of extracting the data to be put on the daily cards are clerks with no special skills. Moody's introduced the testimony of Theresa Moore, one of FII's former researchers--that is, a person who collected the basic information for the daily cards. (Tr. 111-114)[1] She had worked for FII in 1980-1981. She started gathering the data for the daily bond cards as soon as

she took the job. A young lady named Marsha showed Moore "the newspapers [she] had to get to cutout the tombstones, read them over, get the information and call various different places." Tr. 113. Marsha told her to include on every card "the redemption price and the redemption date, agent the amount and the date of the call." Tr. 114. When asked whether she had discretion as to how she performed her task, the answer was negative, but if she felt anything was wrong she went to Marsha or Fran, her supervisor. Id. She used no subjective analysis, but "just took the information from what I saw in the tombstones and the articles in the paper." Tr. 116. Moore is a high school graduate.

Frances Zawilski, FII assistant editor, who is apparently the Fran who supervised Moore, gave a far more

inflated version of her training process as an FII researcher. She was shown "over a period of months ... how to read a redemption notice, check it to [sic] the file, what the terminology meant, how it applied to our service, what facts were necessary to [sic] the brokers, how to break it down into our format, and the entire process from the receipt of the notice to the publication of the card." Tr. 18.

Zawilski's testimony is in sharp contrast to the testimony at the first trial of George Sheekey, FII'S managing editor. Sheekey testified that FII's daily called bond card service indicates first whether it is a municipal or corporate issue; "clearly states[s] the title of the issue, the description of the bond or notes being called for redemption, the redemption price, redemption date, redemption

agent, and those bonds that have been called, whether they are in part or [if] its the entire issue being called." T. 11. Later on in his testimony he said FII had its "compilation section which does all our researching, gathering of the various newspapers, reading through the newspapers, clipping out redemption notices, and leads on redemptions. We subscribe to Standard & Poors, Moody's Investors, we use their services to check our publication if we published a card. Then we go further with that particular item. But if we haven't published any information, we at that time start a tickler file. Our research then begins by either making telephone calls to the municipalities, or trustees or writing letters." T. 22-23.

The information is found in newspapers and periodicals and for the most part it is found in one place in

the publication "but in some of the publications they are in the classified sections and our researchers know approximately where to look in the various papers". T. 26. Two researchers and two editors spend 40% of their time on the daily called bond card service. T. 31.

The data is placed on 4 x 6 index cards for municipal issues. Municipal redemption is printed at the top and right of the card. On the left side of the card "Redemption Price", "Redemption Date", "Redemption Agent", "Amount", "Number of Called" are listed in bold print in a vertical line. Information on these items is filled in--along with the name of the municipality or issuer, description of the bond, interest rate, purpose, date of issue and maturity date and bond numbers being called. T. 42-44.

When Skeekey was asked whether FII exercised any editorial judgment in filing out the cards, Sheekey responded that he did not know whether he understood the word judgment, but "when we sit down to write a redemption notice it is more than just sitting down and copying something off a redemption notice ...we have to put it in its proper alphabetical order which we feel the issue is listed by the major banks and brokers." T. 158. Subsequent to the years relevant to this controversy, FII started using a "cusip" number, which is a uniform numbering system, used throughout the industry, to identify the issue being called. T. 158-59. Description of the issue is rearranged "so it fits our format, percentage, purpose, date of issue and maturity date, whether all that information is available." T. 159. FII

researchers "check through the notice to find the redemption price ... redemption agent ... [and] redemption date" with some degree of speed and accuracy. T. 159-160.

Despite FII's effort on remand to modify this testimony in order to show that a process of selection or arrangement took place within the guidelines set by the Court of Appeals, it is clear that FII's researchers perform a simple clerical task. They go through the various publications, cut out the tombstones or redemption notices, extract from the notices the raw data--name of issuer, description of issue, redemption price, date, agent and serial number of bonds being called. If the researcher sees a problem she consults with her supervisor; and if certain information is not in the notice or there is some question that requires

further inquiry, the researcher consults with her supervisor and/or telephones the issuer, redemption agent or source. The only selectivity involved is principally one of format. The data is set out to conform to the uniform format used by FII's subscribers. Neither the researcher nor the editor exercises much in the way of independent judgment. Moreover, all the data listed on the card is essential to serve FII's subscribers' needs, and each card contains essentially the same indicated data. While FII may decide to designate the issuer, e.g. New York City instead of City of New York, it has no leeway in determining whether to list redemption date, price, agent, etc. With this data, there is no room for selection or choices or judgment.

FII researchers and editors do not perform tasks comparable to the

"selection, creativity and judgment in choosing among the 18,000 or so differing baseball cards in order to determine which were the 5,000 premium cards" found to exist in Eckes v. Card Prices Update, 736 F.2d at 863. While I do not discount the arduous effort involved in obtaining and supplying the daily called bond card data to subscribers (as my previous holding indicates), the modicum of selectivity, coordination or arrangement required by the Court of Appeals to qualify for copyright protection is simply not present. There is no coordination or arrangement of the data except to codify it into a uniform mold. Accordingly, my conclusion is that the daily called bond card service does not meet requisite federal copyright requirements.

It is also now clear on remand that the annual volume serves nothing

more than a historical or preservation function. The annual volume is published in April or May of the year following in which all the bonds listed had been called for redemption. For example, the 1980 annual cumulative volume contains in alphabetical order all the bonds with 1980 redemption dates. It was published in May, 1981. The 1981 annual cumulative volume was published in April, 1982. The value of the daily called bond index cards is that their data alerts banks, brokers and any individual holder of bonds using the service of the dates when bonds should be surrendered. FII provides a file cabinet to hold the individual cards during the year. The annual bound volume may be an efficient way to keep a record of the bonds redeemed each year--a record of past events.

The individual index cards are separate entities, about separate, distinct and independent bonds and do not conform to Judge Newman's analogy of published daily clues in a mystery story, with each subsequent published clue related to both the previously published clue and those to be published in the future. The index cards do not build on one another. Each stands on its own separate footing, having no relationship to any other. The sole exception would be where cards from a common issuer concern separate series of bonds.

FII bases its claim for damages on the copyright statute. However, since the cards are not copyrightable, damages under the federal statute will not lie.

Although the daily called bond cards are not copyrightable, as I read

Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470 (1974); Goldstein v. California, 412 U.S. 546 (1973); Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964); Campco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964) and Durham Industries, Inc. v. Tomy Corp., 630 F.2d 905, 918-19 (2d Cir. 1980), state laws of unfair competition that do not conflict with federal copyright statute remain operative.

Copyright protection is afforded to compilations and works such as those involved here where the selection, coordination and arrangement qualify as an original work. The fact, however, that it does not qualify for copyright protection does not mean that state law can fill the gap. States cannot provide any rights equivalent to those provided by the copyright act and are divested of the power to enforce

those rights. See e.g. Sears, Roebuck Co. v. Stiffel Co., supra; Schuchart & Associates, Professional Engineers, Inc. v. Solo Serve Corp., 540 F. Supp. 928 (W.D. Tex. 1982); Mitchell v. Penton/Industrial Pub. Co., 486 F. Supp. 22 (N.D. Ohio 1979); H.W. Wilson Co. v. National Library Service Co., 402 F. Supp. 456, 458 (S.D.N.Y. 1975) (Owen, J.). Indeed, New York has expressly accepted this principle as a limitation on the reach of causes of action in its courts for common law unfair competition. Editorial Photocolor Archives, Inc. v. Granger Collection, 61 N.Y.2d 517, 474 N.Y.S.2d 964 (1984).

Plaintiff's state law claims are that Moody's obtains an unfair competitive advantage by copying (Complaint para. 24), is unjustly enriched (Complaint para. 27) and realizes greater profits by its

misappropriation of plaintiff's products. (Complaint para. 28). Plaintiff's claim for damages for misappropriation and copying seem barred under the cases cited above. The misappropriation and copying branches of state unfair competition laws have been preempted by the federal copyright statute which provides protection against misappropriation and copying. As long as the work comes within the general subject matter categories under §§ 102 and 103 of the copyright act and/or the state right asserted is equivalent to a right afforded under the federal copyright act, state laws are preempted.

The Court of Appeals has ruled that FII and Moody's are competitors (a conclusion with which I continue to disagree, but which I am required to accept). However, Moody's and FII do

not appear to be competing for the same market or for the same subscribers. FII's subscribers are banks and brokerage houses. The back offices of these enterprises need to keep abreast of redemptions of a large number of municipal and corporate bonds that they hold for customers. FII's forthright and uncomplicated method of supplying that information in its daily called bond card service is ideal. The cost for a year's subscription which includes a filing cabinet to hold the cards is $279.00.

Moody's supplies more complex information. The purpose of Moody's service is to provide a more comprehensive picture of municipal finances. It provides a Municipal Government ("M&G") service. This consists of a two volume manual and a supplement, M&G News Report, published twice a week. While

FII'S daily called bond card service covers all municipal and corporate bonds issued in the United States, Moody's M&G service deals only with municipal bonds of those municipalities that Moody's rates as to the soundness of their financial structure--quality of the bond as an attractive financial investment. Moody's subscribers are libraries, industrial and commercial companies, insurance companies, government agencies. An annual subscription costs $840 per year, considerably more than FII's service.

With these distinct set of subscribers or markets there can be no direct competitive injury to plaintiff, and indeed, no such injury has been shown. As indicated at the initial trial, Moody's copying has produced no loss of FII subscribers and no increase in Moody's Municipal Government Service.

There is no evidence in this record warranting an award of punitive damages. Under New York law such an award requires a showing of actual malice, an "evil or a wrongful motive, or ... wilful and intentional misdoing, or a reckless indifference equivalent thereto." Le Mistral, Inc. v. Columbia Broadcasting System, 61 A.D.2d 491, 402 N.Y.S.2d 815, 817 (1st Dept. 1978). Where the wrong is aggravated by recklessness or willfulness, New York permits the imposition of punitive damages. Roy Export Co. Establishment of Vadeuz Liechtenstein, 672 F.2d 1095, 1106, 215 U.S.P.Q. 289, 297-298 (2d Cir.), cert. denied, 459 U.S. 826 (1982).

While the Court of Appeals has placed a more serious face on Moody's copying than I do, both FII and Moody's regularly used each other as source

material. Both received and responded to telephone inquiries to each other about the municipal bond information each had. Moody's, until this litigation, was a subscriber to FII's daily called bond card service. FII used information in Moody's M&G Manual and News Reports in preparing its cards. The regularity with which this exchange of information took place and simplicity of the information Moody's used and received negate any malice or wrongful motive or reckless indifference by Moody's sufficient to warrant an award of punitive damages.

In sum, there is no basis in this record for finding a violation of the federal copyright act, or state law or for an award of any damages--compensatory or punitive -- to plaintiff.

APPENDIX C

United States Court of Appeals
For the Second Circuit

Financial Information, Inc.
v.
Moody's Investors Service, Inc.

No. 84-7110

December 18, 1984

OAKES, Circuit Judge:

This is an appeal from a judgment of the United States District Court for the Southern District of New York, Robert L. Carter, Judge, dismissing after a bench trial plaintiff-appellant Financial Information Inc.'s complaint charging defendant-appellee Moody's Investors Service, Inc. with copyright infringement and unfair competition. The court first found that the information gathered was copyrightable under the "compilation" provision of the copyright

law, 17 U.S.C. § 101 (1982). Then, in dismissing the action, the district court found that the fair use doctrine, codified in 17 U.S.C. § 107 (1982), shielded Moody's from liability on the federal copyright infringement allegations, and that there could be no unfair competition under state law since the parties were not competitors and because plaintiff could show no injury.

One week after the judgment below was entered, the Supreme Court decided Sony Corp. of America v. Universal City Studios, Inc., 104 S.Ct. 774 (1984), which now represents the leading exposition of the fair use doctrine. In light of Sony, and in view of other considerations discussed below, we reverse and hold that Moody's copying was not protected by the fair use doctrine. This holding on the federal cause of action necessarily entails a

correlative holding that the state cause of action is preempted under 17 U.S.C. § 301 (1982). But it also entails an examination of the copyrightability issue, as to which we wish further elaboration on the facts and reconsideration. We remand to the district court for such elaboration and reconsideration and a determination of damages, if that issue is reached.

FACTS

Financial Information Inc. ("FII") is a publisher of financial information. It produces five separate works, including its "Financial Daily Called Bond Service," from which it alleges Moody's stole copyrighted material.

FII's Financial Daily Called Bond Service ("Daily Bond Cards") consists literally of packets of 4" x 6" index cards on which are printed

information regarding municipal bonds which the issuer has elected to redeem, or "call." The information typically includes the identity of the issuing (and, of course, calling) municipal authority, the series of bonds being called, the date and price of the redemption, and the name of the trustee or paying agent to whom the bond should be presented for payment. FII obtains this information principally by having its employees read newspapers from all over the country, looking for and clipping the paid notices of calls that issuers place in the local press. Occasionally, FII employees telephone issuers for information, and sometimes other commercial bond redemption services -- such as Moody's -- are consulted. There is apparently little, if any, editorial skill or creative discretion involved; the cards are

essentially a compilation of financial facts collected from various sources, the key facts being those selected for publication.

The Daily Bond Cards seek to report all United States municipal redemptions. The packets are mailed each day to roughly 500 subscribers, who are generally large financial institutions who own numerous municipal bonds and who would find it difficult to monitor all relevant redemptions. The cost of the service is $279 per year, which includes an annual cumulative volume and a filing cabinet.

Defendant-appellee Moody's Investors Service, Inc. ("Moody's) is also in the business of selling financial information. Among its products is its Municipal and Government News Reports ("News Reports"), a bi-weekly supplement to a yearly publica-

tion called the Municipal and Government Manual.

Like FII's Daily Bond Cards, Moody's News Reports provide institutional subscribers with the essential data connected with bond redemptions, including the date and price of the call and the name of the trustee or agent. Despite the apparent overlap, the publications differ in at least two ways. First, while FII endeavors to report all municipal redemptions, Moody's coverage is restricted to those securities it also rates, which, we are told, are roughly 90% of the total class of municipal bonds. Secondly, Moody's News Reports provide a significant amount of information not offered by FII's cards, such as Moody's own ratings of the debt securities and notices of securities recently offered. Moody's total package costs $840 per year and

includes, in addition to the bi-weekly News Reports, the Municipal and Government Manual, a comprehensive work which contains a substantial amount of financial information about governmental entities, and which serves as a reference source for libraries and government agencies, as well as for financial institutions.

According to FII, in 1980 it noticed a coincidence of Moody's errata publishing after FII," and began to suspect that Moody's was simply copying information from its cards. In December of that year, in an attempt to confirm its suspicions, FII fabricated and planted an error "redeeming" some bonds that had, in fact, been called a year earlier. The fake redemption was picked up and published by Moody's. While FII did not plant any more errors -- it was, after all, in jeopardy of sacrificing

its reputation with its customers for credibility and reliability -- FII did compare Moody's reports with its own in cases where FII had made unintentional errors. It was ultimately determined-- and Moody's does not contest -- that in 1980 seven of ten FII errors were reproduced by Moody's, while in 1981, all eight FII errors were copied by Moody's.[1] FII then instituted this action for copyright infringement and unfair competition under the Copyright Act, 17 U.S.C. §§ 101-810 (1982), and for unfair competition under New York law.

At trial, FII's expert witness, Professor Herbert Robbins, Professor of Mathematical Statistics at Columbia

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[1] By stipulation at trial, FII limited its proof of copying to the years 1980 and 1981.

University, testified that based on the incidence of FII errors which appeared in Moody's News Reports it was more than 95% certain that Moody's had copied at least 40-50% of FII's information in the year 1980 and 1981. Professor Robbins further testified that in 1981, where eight of eight FII errors appeared in the News Reports, the probabilities were 51% that Moody's copied 91% of FII's Daily Bond Cards. At a "confidence level," i.e., probability, of 95%, Professor Robbins put the percentage of Moody's copying in 1981 at 68%.

Moody's presented evidence at trial of what it calls its "independent creation" of its News Reports. According to the testimony of Moody's employees, the research effort that went into the News Reports included the reading of over two dozen newspapers and the monitoring of four wire services.

Moody's maintained that nine employees were directly, though not necessarily exclusively, involved in the production of the News Reports, and that the "total accrued annual costs allocable" to the News Reports, including research effort costs, varied from between $700,000 to $1,000,000. In addition, Moody's sought to counter the expert testimony of Professor Robbins by showing through reference to publication deadlines and schedules that more than half of its bond redemption notices simply could not have been copied from FII's cards.

THE DECISION BELOW

In the post-trial opinion dismissing the complaint, the district court found, as a preliminary matter, that FII's Daily Bond Cards were copyrightable, thus confirming the substance of the decision on appellee's

prior motion for summary judgment.[2] The district court then expressly found that Moody's had "copied from plaintiff's cards from time-to-time." It noted, however, that such copying did not "end the matter," since Moody's had "asserted the fair use doctrine as a defense to its use [of] plaintiff's materials." Conceptualizing the test for the applicability of the fair use doctrine as four hurdles for Moody's to "overcome," the district court made four key findings in

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[2] There is a question whether the issue of the copyrightability of the Daily Bond Cards was preserved on this appeal. In a footnote in its brief on appeal Moody's does note that it "argued below," and states that it "maintains," that the Daily Bond Cards are not copyrightable. The question was not briefed by FII or really by Moody's--was not in fact even mentioned in the main text of Moody's brief -- and does not appear in its "Issues Presented for Review." We will assume that the issue has been preserved. Since the issue is the most difficult in the case we asked that it be briefed supplementally, and it was.

Moody's "behalf."

After stating that the fact of a commercial use of copyrighted material does not in and of itself defeat a fair use defense, the district court noted that in some instances, Moody's publication served as legal notice of a bond's redemption and that many institutions were "eager" to have this information. The court then found that Moody's was performing a "public function" by "making available this needed financial information." Thus, the fulfillment of this public function brought Moody's "clearly ... within the ambit of the first requirement for fair use protection."

The district court then focused on what it called "the simplest hurdle for Moody's to overcome," namely the nature of the copyrighted work. The court stated that since FII's cards

represented a mere compilation of factual material, the scope of permissible fair use was greater than it would be with respect to a "truly creative work," and held that Moody's thus met "the second yardstick."

The third factor analyzed was the "amount and substantially of the portions copied." Despite Professor Robbin's testimony, the court held that FII "failed to establish substantial use of its work" by Moody's. Apparently, the basis for the rejection of the expert statistical evidence was the crediting of Moody's evidence of significant simultaneous or even prior publication of the call data. The district court was also impressed by the fact that Moody's received more newspapers than FII, and monitored four wire services. The judge then stated that he could not "make the leap that 8

of 8 proven instances shows copying by defendant 91% of the time," and found instead that Moody's had copied FII cards "in some 20-24 instances throughout a given year," a finding which, according to FII, translates into a copying rate of just 1 to 2%.

Turning to the "final and most important factor," the district court found no evidence that Moody's use of FII's materials tended to diminish or prejudice the potential sale of plaintiff's work. The judge based this finding on his view that the parties "serviced separate, discrete markets," and on the lack of any evidence showing a decline in the number of FII subscribers or an increase in the number of Moody's subscribers resulting from the copying.

Having found that Moody's cleared all four hurdles, the court held

that the fair use doctrine operated as a complete defense to FII's claims under the Copyright Act. The court then stated that the only New York State unfair competition action viable on the facts was that of misappropriation, but held that given the absence of a showing of competition and injury, the claim necessarily failed.

DISCUSSION

Copyrightability

Moody's made below, as it makes here, two basic arguments why the called bond data that FII publishes each day cannot receive copyright protection: first, that the daily data are facts and therefore not copyrightable and, second, that the daily data are not compilations and are therefore not copyrightable as such.

As the district court held, of course, Moody's is quite accurate that

facts are not copyrightable. See, e.g., Miller v. Universal City Studios, Inc., 650 F.2d 1365, 1368 (5th Cir. 1981); Hoehling v. Universal City Studios, Inc., 618 F.2d 972, 974, 979 (2d Cir.), cert. denied, 449 U.S. 841 (1980); Rosemont Enterprises, Inc. v. Random House, Inc., 366 F.2d 303, 309 (2d Cir. 1966), cert. denied, 385 U.S. 1009 (1967); 1 M. Nimmer, The Law of Copyright § 2.11 [A], at 2-157 (1984) (hereinafter "Nimmer"). In Hoehling, for example, we rejected the appeal of the author of a history about the Hindenberg dirigible who asserted that his copyright was infringed by a television studio that used his book as one of its historical sources in making a screenplay about the dirigible. The court said that "factual information is in the public domain[,]" 618 F.2d at 979, and that "the protection afforded

the copyright holder has never extended to history, be it documented fact or explanatory hypothesis." Id. at 974. What is protected is "the author's original expression of particular facts." Id.

While facts have not been given copyright protection, as the district court pointed out, compilations of such facts traditionally have been. See, e.g., Schroeder v. William Morrow & Co., 566 F.2d 3 (7th Cir. 1977) (directory of nurseries); Leon v. Pacific Telephone & Telegraph Co., 91 F.2d 484 (9th Cir. 1937) (telephone directory); Hartfield v. Peterson, 91 F.2d 998 (2d Cir. 1937) (cable and telegraphic code); Jeweler's Circular Publishing Co. v. Keystone Publishing Co., 281 F.83 (2d Cir.), cert. denied, 259 U.S. 581 (1922) (jeweler's directory); List Publishing Co. v. Keller, 30 F.772 (C.C.S.D.N.Y.

1887) (social register); see also 1 Nimmer § 2.04[B], at 2-40. Jeweler's Circular Publishing Co. stated the rule:

> 'A man's name, his occupation, his place of business, and his residence are none of them subjects of copyright.'
>
> But, if a man compiles a book containing such information about the residents of a particular place, he may ... copyright it as a whole, notwithstanding the fact that the separate parts of which it is composed are not copyrightable.

281 F. at 87. See also Schroeder v. William Morrow & Co., supra, 566 F.2d at 5 ("An original compilation of names and addresses is copyrightable even though the individual names and addresses are in the public domain and not copyrightable"). The Copyright Act of 1976 incorporates the common law by expressly providing for the protection of compilations, 17 U.S.C. § 103(a), defining a "compilation" as follows:

> a work formed by the collection and assembling of preexisting material

> or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.

17 U.S.C. § 101.

Thus the law of copyrights defies the laws of logic, or, as one commentator puts it, "the dictates of algebra," since it "affords to the summation of one hundred or one million [individual facts and their unadorned expression] a significant measure of protection" while affording none to the facts themselves. See Denicola, Copyright in Collection Facts: A Theory for the Protection of Nonfiction Literary Works, 81 Colum. L. Rev. 516, 527 (1981) (hereafter Denicola). The whole of a compilation is thus greater than the sum of its parts. It is not surprising, therefore, that there are opposing lines of cases and competing theories advanced by the commentators,

or that this case has caused the district court and ourselves much difficulty.

The competing respectable lines of authority are exemplified by those that seemingly make copyrightability turn on the labor or effort expended in assembling the data, e.g., Leon v. Pacific Telephone & Telegraph Co., 91 F.2d 484, 486 (9th Cir. 1937) (citing Jeweler's Circular Publishing Co., supra), (telephone directory copyrightable), and those that evidently look exclusively to arrangement of the data as the keystone of protection, e.g., Triangle Publications, Inc. v. Sports Eye, Inc., 415 F. Supp. 682 (E.D. Pa. 1976); Simms v. Stanton, 75 F. 6 13 (C.C.N.D. Cal. 1896). While the commentators agree that there can be no copyright protection of individual facts, one would condemn "sweat of the

brow" analysis, Nimmer § 2.04[B] n.16 at 2-42 (criticizing language of Judge Carter in this case), while another would suggest that "authorship in the act of aggregating isolated pieces of information" is the key, Denicola, 81 Colum. L. Rev. at 530, thereby concluding that "the particular collection of data contained in a compilation may be considered a copyrightable element of the overall work." Our court, focusing on the statutory language, "selected, coordinated, or arranged," has taken the following position in Eckes v. Card Prices Update, 736 F.2d 859, 862-63 (2d Cir. 1984) (upholding copyrightability of baseball card guide referring to 18,000 or so different baseball cards because authors exercised "selection, creativity and judgment" in choosing 5,000 of them as "premium cards"):

> we have been particularly

> restrictive in the protection of non-fiction works indicating, for example, that the fruits of another's labor in lieu of independent research obtained through the sweat of a researcher's brow, does not merit copyright protection absent, perhaps, wholesale appropriation....
>
> Nevertheless, our cases do not hold that subjective selection and arrangement of information does not merit protection.

Id. at 862.

The statement of abstract principles, however, may assist in, but usually does not compel, the determination of concrete cases. See Soper, On the Relevance of Philosophy to Law: Reflection on Ackerman's Private Property and the Constitution, 79 Colum. L. Rev. 44, 64-65 (1979); R. Dworkin, Taking Rights Seriously, ch. 4 ("Hard Cases"), at 81-130 (1977).

Thus, the "pivotal question" as the district court put it is "whether FII's daily called bond data can be

considered a compilation." Recognizing Moody's argument is, in essence "that FII, in publishing its bond data index cards, records only public information about single public occurrences, i.e., bond calls, and does so without adding any 'peculiar skill and judgment,'" the court nevertheless held the argument unavailing on the basis that "[i]n publishing ten or twelve index cards each day, fifty [or] sixty each week, and some 2,500 in each year's cumulative volume, FII is unquestionably 'assembling, connecting and categorizing disparate facts which in nature occurred in isolation,'" and "[t]he FII employees who put together the daily called bond service assemble into one handy compilation disparate information about thousands of calls by hundreds of municipalities and other governmental entities in dozens of states."

Thus, "[i]n amassing its bond data, FII is not just assembling a handful of statistics about a single, solitary occurrence, but is instead weaving together into a handy, coherent entity thousands of facts that 'occurred in isolation.'"

And the district court went on to conclude:

> To accord copyright protection to the annual compilation but deny it to each daily component would negate the value of the protection accorded the yearly compilation. If a competitor were to be able to copy each day's quantum of FII's called bond cards with impunity, the copyright protection given to the annual volume would be rendered meaningless as to that copying competitor. ...
>
> Just as an annual aggregation of called bond data should be considered a compilation, so, too, should each serial ingredient -- be it the quarterly, monthly, weekly, or daily component -- be considered a species of compilation. If a cumulative volume warrants copyright protection as a compilation, then so do the serial components that ultimately comprise the cumulative tome -- so long as there is adequate

copyright notice on each component.

While Judge Carter's analysis has considerable appeal -- why should the serial thief of the data being developed for a compilation go scot-free while the fellow who waits for the compilation to be complete before he steals it does not -- and support by at least one commentator, Denicola, 91 Colum. L. Rev. at 530-35, there nevertheless is now-updated Second Circuit precedent to be taken into account, Eckes, supra. Thus, on the remand which we order for reasons below stated, questions to be addressed will include whether the data used on the FII cards involved a modicum of selection, coordination, or arrangement on FII's part, sufficient to meet the rather broad copyrightability standard of originality which is phrased in terms of "independent creation" rather than the

narrower, inapplicable standards of "uniqueness" or "novelty" or "ingenuity," 1 Nimmer § 2.01[A] at 2-6, § 3.04 at 3-19; L. Batlin & Son v. Snyder, 536 F.2d 486, 490 (2d Cir. 1976) (en banc); Eckes v. Card Prices Update, 736 F.2d at 862-63. They will also include the question, not answered on the record to our satisfaction, whether the annual bound volume, the ultimate compilation, serves a real or merely trivial purpose to the user; if the immediacy of the information as to bond calls is basically the only thing valuable to the buyer of the FII service, arguably there is little reason for looking at the ultimate compilation at all even while the focus on the daily cards makes their simplicity, their readability, and hence the selection and arrangement of facts on the cards of greater moment. In this regard, the

court should determine what other facts about the called bonds that could be included or might conceivably have some use to a potential purchaser of the service have been omitted, to determine the degree of "selectivity" involved. And the court should consider whether any selection, coordination, or arrangement is involved in terms of the called bond issues which are reported on. Perhaps these, or other, areas will be explored by the district court so as to give us, if the case returns to this court, a further clue or clues to resolving a conundrum in the copyright law: if "facts" are not copyrightable but a "compilation" of them is, does utilization of the facts by another as they are collected constitute an infringement of the "compilation," as the district court and Denicola suggest, or does the law of copyright only become

operative when the compilation is complete? -- or is this a question which cannot even be asked in the framework of the fact/compilation dichotomy? Put another way, is the surface illogic inherent in the proposition that facts alone are not copyrightable while a collection of them is, penetrable in this case by resort to the "selection"-"coordination"-"arrangement" route where the compiler publishes his "facts" as he collects them?

Fair Use

Copyright protection "subsists ... in original works of authorship fixed in any tangible medium of expression...." 17 U.S.C. § 102(a). But, as the Supreme Court has recently reiterated, copyright protection "has never accorded the copyright owner complete control over all possible uses

of his work." Sony Corporation of America v. Universal City Studios, 104 S.Ct. at 784 (footnote omitted). One of the most significant exceptions to the copyright monopoly is the common law concept of "fair use," codified by Congress in 1976. 17 U.S.C. § 107.[3]

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[3] Section 107 provides:

> Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies, for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include --
>
> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
>
> (2) the nature of the copyrighted work;
>
> (3) the amount and substantiality of the portion used in

As we have stated, the fair use doctrine "offers a means of balancing the exclusive right of a copyright holder with the public's interest in dissemination of information affecting areas of universal concern ..." Meeropol v. Nizer, 560 F.2d 1061, 1068 (2d Cir. 1977), cert. denied, 434 U.S. 1013 (1978), citing Wainwright Securities, Inc. v. Wall Street Transcript Corp., 558 F.2d 91 (2d Cir. 1977), the doctrine "permits the limited use of copyrighted material without the author's consent for purposes 'such as criticism, comment, news, reporting, teaching ..., scholarship, or research..." Harper & Row Publishers,

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relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

Inc. v. Nation Enterprises, 723 F.2d 195, 206 (2d Cir. 1983) (citing 17 U.S.C. § 107), cert. granted, 52 U.S.L.W. 3860 (U.S. May 29, 1984). At the time, fair use "is not a license for corporate theft, empowering a court to ignore a copyright whenever it determines the underlying work contains material possible public importance." Iowa State University Research Foundation, Inc. v. American Broadcasting Companies, Inc., 621 F.2d 57, 61 (2d Cir. 1980).

In Sony, Justice Stevens, writing for the majority, emphasizing that a court must employ an "equitable rule of reason" analysis to determine whether fair use operates in a given case as a shield against claims of infringement. 104 S. Ct. at 792. The four factors which the fair use statute identifies as relevant to a determina-

tion of whether the doctrine applies--the purpose and character of the use; the nature of the copyrighted material; the amount of the portion used in relation to the copyrighted work as a whole; and the effect of the use on the potential market for or value of the copyrighted work -- are equitable considerations to be assessed and weighed by the court; they are not simply hurdles over which an accused infringer may leap to safety from liability. Rather than a sequence of four rigid tests, the fair use analysis consists of a "sensitive balancing of interests." Id. at 795 n. 40. On this basis alone, it would not be inappropriate were we to remand for purposes of conducting the required balancing.

But the Supreme Court's decision in Sony makes a remand on the fair use issue unnecessary. Sony

repeatedly stresses that the "first factor" -- whether the use is commercial or nonprofit -- not only must necessarily be a part of a court's analysis, but must also, if the use proves commercial, give rise to a presumption of unfair use. The Court could hardly have been more lucid on this point, stating that "every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright ..." Id. at 793.[4]

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[4] This point was repeated and emphasized throughtout the opinion:

> If the Betamax were used to make copies for a commercial or profit-making purpose, such use would presumptively be unfair.

104 S.Ct. at 792.

> If the intended use is for commercial gain that likelihood [of harm to the copyright owner] may be presumed.

There is no argument and of course can be no doubt but that Moody's use is commercial, and thus presumptively unfair. The district court, of course, not having the benefit of the Supreme Court's decision in Sony, noted with respect to Moody's for-profit use of the copyrighted material only that that fact was not dispositive on the question of liability. To the degree that the district court's discussion of the "public function" of Moody's use was intended to address the first factor, we must state our disagreement with its characterization. The fact that large financial institutions are willing to pay considerable sums of money to

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Id. at 793.

> Copying for commercial gain has a much weaker claim to fair use than copying for personal enrichment.

Id. at 795 n.40.

receive information hardly qualifies the selling of that information (again, for a substantial amount of money) as a public function. This information on bond redemptions is not, after all, information that is widely disseminated, and to the degree that it is circulated, it may reach more individuals through their newspapers, where the call announcements first appear, than through any publication that Moody's produces. To classify Moody's sales of its News Reports as a public function would, it seems to us, state a rule that whenever there is a market for information, the paid delivery of goods to that market rises to a public function. While perhaps sound as a matter of economic theory, such a construction would distort the statutory "first factor" of fair use in the copyright context. We note, in addition, that presumably FII

is able and willing to sell its Daily Bond Cards to anyone, and thus that no one with $279 per year need do without.

Sony requires that we recognize a presumption of unfair use by Moody's arising from its commercial use of the copyrighted material. As we engage in the required "rule of reason" analysis mandated by Sony, we are persuaded that Moody's cannot rebut that presumption, and that if anything, the other specified equitable factors support, rather than undermine, the conclusion that Moody's use was not protected by the fair use doctrine.

With respect to the second factor -- the nature of the copyrighted material -- it is true as appellee argues, that FII's Daily Bond Cards do require a minimum of editorial skill or judgment, and consequently may be more susceptible to fair use than would be a

truly creative work. Harper & Row Publishers v. Nation Enterprises, 723 F.2d at 208. We are disinclined to place great importance on this factor, however, given that the use that Mooy's seeks to make of the material is similarly "non-creative" and purely commercial. In other words, were a songwriter or playwright to copy from a compilation of information regarding municipal bond redemptions in order to, say, enhance the verisimilitude of his art, we might be more easily persuaded that the factual nature of FII's copyrighted material should significantly cut against it in a fair use balancing. Given the equitable nature of the fair use analysis, we are somewhat unmoved by the pot here calling the kettle black.

Far more significant to the present case is the evidence of

substantial, if not wholesale copying by Moody's from FII, evidence which we fear the district court failed adequately to credit. From the district court's opinion, it appears that it understood the expert testimony of Professor Robbins to be an assertion that Moody's must have copied from FII "91% of the time," a leap the court refused to make from the established fact that eight of eight errors were copied in one year. But, as we have indicated above, Professor Robbins did not testify that 91% was copied, he merely presented a continuum of what Moody's might have copied from FII, expressed along with the probability or "confidence level" associated with each possible copying level. The 91% figure referred to was, as appellant readily concedes, at the "statistical fringe." More to the point was Professor Robbin's testimony that it

was statistically certain (i.e., 95-99% probable) that Moody's had copied at the 40-50% level.

In this connection, it is important to note that Moody's never seriously attacked or challenged the expert statistical testimony; it offered no expert witness of its own, and instead sought to prove at trial that it could not have copied more than 50%, due to publication schedules and the like. But as FII correctly notes, Moody's insistence that one half of what it published could not have been taken from FII is entirely consistent with FII's proof that Moody's did steal the other 50%, and FII is also correct to note that the 91% figure attacked by Moody's is a "straw man." At oral argument, Moody's could neither defend nor explain the apparent misunderstanding of the statistical evidence on the part of the

district court, nor offer any rebuttal as to why the 40-50% copying figure was not accurate. Accordingly, we simply cannot agree with the district court's conclusion that Moody's copying was "limited."

Finally, with respect to the fourth fair use factor, that of the effect of Moody's use upon the potential market for or value of FII's Daily Bond Cards, we again must reject the analysis of the court below that the parties "are not competitors." It is true that Moody's News Reports and FII's Daily Bond Cards differ somewhat in scope and coverage, and that Moody's product is more expensive than [sic] FII's; but as appellant correctly notes, the law does not require "identity of products in nose-to-nose rival sales." It is clear that if Moody's were unable merely to copy from the Daily Bond Cards, FII

night be in a position to license that use for a fee. See, Iowa State, 621 F.2d at 62; D.C. Comics Inc. v. Reel Fantasy, Inc., 696 F.2d 24, 28 (2d Cir. 1982). In addition, as the Supreme Court stated in Sony, when an intended use is for commercial gain, harm to the copyright owner "may be presumed." 104 S.Ct. at 793.

In sum, on the record before us Moody's does not make "fair use" of the material it copied from FII.

Presumption of State Claim

As noted above, we do not agree with the district court that the parties do not compete, a finding which served as the basis for the dismissal of the state claim. Nonetheless, the Copyright Act, by express terms, preempts state actions with respect to rights "equivalent to any of the exclusive rights within the general scope of

copyright." 17 U.S.C. § 301(a). FII has alleged in essence that Moody's unlawfully misappropriated its copyrighted material. If FII does not prevail on its federal claim, the New York state claim will be preempted; if it does not prevail, the state claim will have to be considered.

Remand for a calculation of damages.

* * *

JON O. NEWMAN, Circuit Judge, concurring:

Agreeing with all of what Judge Oakes has written on the fair use of this appeal and with most of his observations on the issue of copyrightability, I concur in the decision to remand for further findings. The usefulness of the remand may be enhanced

by some brief further elaboration of the issues.

The basic question on the copyright issue is whether the Daily Called Bond Cards, published by Financial Information, Inc. ("FII"), are a "compilation" within the meaning of the Copyright Act, 17 U.S.C. § 103(a) (1982). Preferring not to extend copyright protection to all collections of fact, Congress has defined a "compilation" as "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship." Id. § 101 (emphasis added). Thus, the primary task for the District Court is to determine whether the data appearing on the Daily Called Bond Cards have been "selected,

coordinated, or arranged" so as to constitute an original work of authorship. I do not share the view that Congress, in establishing these criteria, or this Court, in insisting that they be satisfied, has defied the laws of logic or of algebra. The "whole" of a copyrightable "compilation" is not greater than the sum of its "parts." If its "parts" are only the discrete items of data that have been collected, the resulting work is not copyrightable. It may receive a valid copyright only if something has been added to the data: the "authorship" of the compiler in making the requisite selection, coordination, or arrangement of the data. The fact that some language in early cases, see Jeweler's Circular Publishing Co. v. Keystone Publishing Co., 281 F. 83, 87 (2d Cir.), cert. denied, 259 U.S. 581 (1922), and,

perhaps, even some results reached in those cases, e.g., Leon v. Pacific Telephone & Telegraph Co., 91 F.2d 484 (9th Cir. 1937), have supported a view that copyright protection should be extended solely because of laborious effort is no reason for us to disregard the statutory criteria that Congress articulated in 1976 when it enacted the current statute. The "sweat of the brow" rationale is no substitute for meeting one of those statutory criteria.

A second aspect of the copyright issue arises in this litigation because of the fact that the Daily Called Bond Cards are initially issued daily as individual cards and subsequently issued annually in a bound volume. This fact poses issues of procedural compliance with copyright registration requirements and substantive entitlement to copyright

protection. The procedural issue is whether the cards, as issued on a daily basis with notice of copyright, 17 U.S.C. § 401, were required to be registered with the Copyright Office pursuant to 17 U.S.C. § 408, see id. § 411 (prohibiting infringement suit prior to registration of copyright claim), or whether registration of the annual volume sufficed, see id. § 408(c)(1) (authorizing regulations to permit single registration for group of "related works"). We have not yet resolved that issue.

If annual registration sufficed, the substantive issue is whether the statutory criteria of a protectable "compilation" must be satisfied by each card or only by the series of cards that constitute FII's called bond "service" and are collected in the annual volume. I am not as sure

as Judge Carter that the copyrightability of the annual volume (assuming for the moment that such can be established) necessarily requires copyright protection for the daily cards. The annual volume may satisfy the statutory criteria of a "compilation" even though the daily cards do not. Congress has recognized that the copyright in a compilation "extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work ... " 17 U.S.C. § 103(b). Just as the cards might be copyrightable though the dates on them are not, so the annual volume might be copyrightable even if the daily cards are not.

It remains to be determined what copyright protection, if any, the copyright in the annual volume confers upon the daily cards. I doubt that

protection of each card may arise simply because denial of protection would impair the value of the copyright in the annual volume. That argument seems to be boot-strapping. However, the daily components of a serial publication perhaps might be copyrightable because of their relationship to each other as issued, as distinguished from their relationship to each other as collected in an annual volume. For example, a mystery story published in the form of daily clues might secure protection for each clue because of its relationship to what has previously appeared and perhaps even to what will appear. The application of that approach to reported facts like those appearing on FII's cards have primary significance as issued each day.

By copying FII's daily cards, Moody's is not necessarily a copyright

infringer of a "serial thief." Though it would be liable for conversion if it had stolen from FII's office the sheets on which the daily data are assembled for publication and might be liable for unfair competition if it appropriated for competitive purposes material not entitled to copyright,[5] it has not committed copyright infringement unless the material it has copied is entitled to copyright protection.

Whether such protection exists cannot be determined until further facts

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[5] If the Daily Called Bond Cards are not copyrightable compilations, FII's unfair competition claim under state law might not be preempted either because FII would not be asserting rights "that are equivalent to any of the exclusive rights within the general scope of copyright" or because the cards are not "works of authorship," 17 U.S.C. § 301. See 1 Nimmer on Copyright § 1.01[B] at 1-22 (1984) ("if a work does not constitute a 'work of authorship,' ... as a compilation ... under Section 103, then there is no federal preemption") (footnotes omitted).

have been found. Principal among these are the facts concerning whatever selection, coordination, or arrangement of the data on the cards may have occurred. I therefore concur in the decision to remand for further inquiry.

APPENDIX D

United States District Court
Southern District of New York

Financial Information, Inc.

v.

Moody's Investors Service, Inc.

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81 Civ. 6001 (RLC)

January 10, 1984

Robert L. Carter, U.S.D.J.

Plaintiff, Financial Information, Inc. ("FII"), is a New Jersey corporation and its principal place of business is in Jersey City, New Jersey. Plaintiff's publications cover a variety of financial information: a Stock Guide Transfer Service, which lists all publicly held corporations, their outstanding stock, transfer agents, etc.; a Stock Warrant Service which lists outstanding warrants, price, exercise

agents and the manner in which the warrants came into existence; and various other kinds of financial and business information.

Of primary concern to us, however, is the plaintiff's Financial Daily Called Bond Service. It provides information concerning the redemption of municipal and corporate bonds, foreign and domestic. The information initially appears on 4" x 6" index cards that are published daily. The data on these cards list the name of the issuer, redemption date, price, redemption agent and the coupon numbers of the bonds to be redeemed. About 2,500 of these cards are published annually. At the end of the year the information on the cards is edited and then alphabetically listed in a cumulative volume. The cumulative volume is registered with the copyright office, and copyright notices are placed

on each index card.

This service is provided by subscription primarily for the back offices of banks and brokerage houses. A subscriber to this service pays $279 per year and receives the daily index cards, the annual cumulative bound volume and a filing cabinet. Plaintiff deliberately keeps the cards in a simple and straightforward format (name, price, coupon number, redemption agent and date). Therefore, at times, plaintiff merely attaches the redemption notice to the cards if more complicated information should be conveyed to its customers. The service enables banks and brokerage houses to keep track of the redemption dates of the manifold corporate and municipal bonds they are holding for their customers and to have the bonds redeemed on the due date or to advise their customers to do so.

Defendant, Moody's Investors Service, Inc. ("Moody's"), is a Delaware corporation with its principal place of business in New York. Moody's also publishes financial information, but it is quite different from that which plaintiff provides, except that defendant's Municipal & Government Manual ("M & G Manual"), and its Municipal & Government News Reports ("M & G News Reports") provide information concerning the redemption of municipal bonds, which is the same information provided by plaintiff's Daily Called Bond Service. The M & G Manual is the bound cumulative annual publication. M & G News Reports update the Manual by providing current information.

Moody's information on municipal bond redemptions is limited to the municipal issuers described in the Manual, about 15,000 municipalities in

all. The M & G Manual provides comprehensive information about the finances of the municipalities listed. The Manual contains the name, location and size of the government entity, the assessed value of its bonded debts, tax and financial information, Moody's rating of its securities, which is Moody's assessment of the creditworthiness of the municipality. The securities of these municipalities are given ratings, which are periodically reviewed, withdrawn or modified by Moody's. The M & G Manual, with its supplementary news Reports, is a reference source. Its subscribers include municipal and university libraries, corporations, insurance companies, government agencies and municipal brokerage houses at a cost of $840. annually. Only 7-8% of these publications are concerned with municipal bond

redemptions.

Plaintiff has instituted this action for copyright infringement and unfair competition under the Copyright Act, 17 U.S.C. Section 101 et seq., and, in addition, alleges unfair competition under state law and the common law as well. Plaintiff claims that Moody's is copying and misappropriating for its own use information plaintiff generated in its Daily Called Bond Service.

At trial, the evidence showed, in addition to the basic facts set out above, the plaintiff has some 500 subscribers for its Daily Called Bond Service. Moody's was among these, until this suit was instituted and, on the advice of counsel, Moody's cancelled its subscription.

Plaintiff devotes thirty-five to forty percent of the time of one researcher to this service, in addition to

the part-time work of a second researcher and two editors. The primary researcher looks through local newspapers, the New York Times, the Wall Street Journal, and the Los Angeles Times to clip out redemption notices and any other leads on redemptions. Calls are made to clerks of municipalities and bond trustees for information on redemptions. Plaintiff also subscribes to Moody's M & G Manual and News Reports and checks through these publications to see whether they contain information on bond redemption which plaintiff might have missed. If such information is discovered, plaintiff confirms it by communicating with the municipalities and Moody's. Once confirmed, a file on that issue is started.

The evidence showed that Moody's subscribes to more sources from which it may obtain basic information on bond

redemptions than does plaintiff. Like plaintiff, it uses the Wall Street Journal, New York Times and local newspapers. In addition, Moody's uses: Barrons, Fortune, Business Week, Dun's Monthly, Advertising Age, Chicago Tribune, Cleveland Plain Dealer, Denver Post, Houston Post, Milwaukee Sentinel, Pittsburg Post Gazette, St. Louis Globe Democrat, Washington Post and Dow Jones, P.R. Newswire, Business Wire and Munifacts Wire Services.

One of defendant's employees reads all the newspapers (Moody's subscribes to about 24), and clips from them all the financial news, including redemption notices. He passes the clippings on to a rewriter who distributes the various items to the proper department--all clippings about redemptions would go to the rewriter on M & G Manual and News Reports.

Some four to six people work as rewriters and compilers on the M & G Manual and News Reports. One person is responsible for, among other things, the redemption notices. The others work on redemption notices from time-to-time. The rewriter concerned uses the clippings provided, and checks plaintiff's index cards with whatever other information is available.

At times plaintiff's index cards were the rewriter's sole sources of information--about 20 times a year. In those cases, the information on the cards--name of issuer, redemption date, price, place of payment and coupon numbers being redeemed--would be published in the M & G News Reports. A supervising editor was responsible for the final text as it appeared in the M & G News Reports.

Sometime in 1980, plaintiff began to

suspect that Moody's was copying the information published in its Daily Called Bond Service. Plaintiff realized, of course, that Moody's, as one of plaintiff's subscribers, had access to the daily index cards and the annual cumulative volume. Both in 1980 and 1981 plaintiff actually planted errors on its Daily Called Bond Service index cards and subsequently corrected these errors in an attempt to confirm its suspicions that Moody's was using its materials.

The errors and corrections were mirrored on 8 of 8 occasions in Moody's M & G News Reports in 1981 and on 7 of 10 occasions in 1980. One example will suffice: Plaintiff published the redemption date on a Dallas municipal bond as January 1, 1982, when the correct date should have been January 1, 1982 through 2001. This error appeared on an

index card on December 15, 1980. A correction was made on an index card distributed on January 23, 1981. Moody's published the error in an issue of the M & G News Reports dated December 23, 1980, and its correction appeared in a subsequent issue dated January 30, 1981. On three occasions in 1980 when plaintiff planted an error it was not published by Moody's. Instead, Moody's M & G News Reports carried the correct information.

Plaintiff produced as its expert Professor Herbert Robbins, Higgins Professor of Mathematical Statistics at Columbia University. Professor Robbins' testimony was designed to establish the significance and extent of Moody's copying and misappropriation of plaintiff's data based on its known copying on 8 of 8 occasions of plaintiff's generated errors in 1981, and on

7 of 10 such instances in 1980. Professor Robbins concluded that of 8 of 8 instances of copying established in 1981, at a confidence level of 51%, 91% of the information Moody's published about municipal bond redemptions was copied from plaintiff. At a confidence level of 95%, he put the percentage of Moody's copying at 68% [1]. With 7 of 10 instances of known copying in 1980, at a confidence level of 51%, Professor Robbins testified that the percentage of

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1. I took Professor Robbins' testimony to mean that a confidence level of 51% was equivalent to establishing proof by a preponderance of the evidence, and that a confidence level of 95% was equivalent to establishment of proof by clear and convincing evidence or by proof beyond a reasonable doubt. In other words, Professor Robbins meant that using the preponderance of the evidence standard, one could conclude that 91% of Moody's notices about municipal bond redemptions were copied from the plaintiff. Using the higher standard (clear and convincing), one could conclude that 68% of Moody's redemption notices were copied from the plaintiff.

Moody's copying plaintiff's material was 64%, and at the confidence level of 95%, the percentage of copying was 39%.

Defendant, has produced Exhibit T which shows that in 1981 of 1,400 redemption notices published of municipal bonds redeemed up to December 31, 1981, 358 such notices were published in M & G News Reports before any comparable notices were published in the plaintiff's Daily Called Bond Service; 155 such notices were published simultaneously or within five days of plaintiff's first publication of similar or the same information; 97 such notices did not appear in the Daily Called Bond Service; and 179 notices published by Moody's contained more information than appeared in plaintiff's service.

Determination

Defendant renews its argument that the Daily Called Bond Index Cards are not copyrightable. To restate, in part, my prior determination denying defendant's motion for summary judgment; Plaintiff's Daily Called Bond Service requires plaintiff to weave "together into a handy, coherent entity thousands of facts that 'occurred in isolation'. [Triangle Publications, Inc. v. New England Newspaper Publishing Co., 46 F. Supp. 198, 201 (D. Mass. 1942)]. Such a laborious painstaking compilation is certainly the type that the copyright laws aim to protect." Financial Information, Inc. v. Moody's Investors Service, Inc., 81 Civ. 6001, slip op. 8-9, (S.D.N.Y. May 23, 1983) (Carter, J.) (citations omitted). Defendant raises no issue about the annual cumulative volume being copyrightable. However, to

accord copyright protection solely to the annual cumulative bond volume and deny it to the 2,500 index cards produced daily over each year's span would surely negate the protection accorded the yearly compilation. Accordingly, I see no cause to depart from my prior holding that the individual index cards as well as the compilation are protected by the copyright laws.

Moreover, I am satisfied that defendant has copied from plaintiff's cards from time-to-time. That, however, does not end the matter. Defendant has asserted the fair use doctrine as a defense to its use of plaintiff's materials.

Some copying without an owner's consent is permissible. The Copyright Act, 17 U.S.C. Section 107, states that the "fair use of copyrighted work, including such use by reproduction in

copies . . .for purposes such as criticism, comment, news reporting, teaching . . .scholarship or research, is not an infringement of a copyright." Specifically, four factors must be considered in determining whether a use is fair: (1) "the purpose and character of the use . . .(2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted word." Id.

That Moody's used the information on plaintiff's index card for its commercial interest does not alone defeat a fair use defense. Consumers Union of the United States, Inc. v. General Signal Corp. and Grey Advertising Inc., Docket No. 83-7855, slip. op. 463, 471 (2d Cir. December 6,

1983), citing Triangle Publications, Inc. v. Knight-Ridder Newspapers, 626 F. 2d 1171, 1175 (5th Cir. 1980). See also Rosemont Enterprises v. Random House, Inc., 366 F.2d 303 (2d Cir. 1966), cert. denied, 385 U.S. 1009 (1967). The redemption notices, which both Moody and plaintiff publish, inform holders of municipal bonds when a bond is being called. Defendant testified that Moody's publication of redemption notices serves in a number of localities as legal notice of the bond's redemption. Issuers, paying agents, banks and brokerage houses holding large numbers of bonds for their customers are eager to have this information. Moody's, as plaintiff, in making available this needed financial information, is performing a public function which clearly brings it within the ambit of the first requirement for fair use protection.

New York Times Co. v. Roxbury Data Interface, Inc., 434 F. Supp. 217 (D.N.J. 1977).

The second factor, the nature of the copyrighted work, is the simplest hurdle for Moody's to overcome. Since copyright protection for compilations of factual material is at odds with the basic thrust of the copyright laws, see Miller v. Universal City Studios, Inc., 650 F.2d 1365, 1370 (5th Cir. 1981), the scope of permissible fair use is greater than would be possible in respect of "work that is truly creative." Dow Jones & Co. v. Board of Trade of City of Chicago, 546 F. Supp. 120, 131 (S.D.N.Y. 1982) (Carter, J.); New York Times Co. v. Roxbury Data Interface Inc., supra, 434 F. Supp. at 221; Public Affairs Associates, Inc. v. Rickover, 268 F. Supp. 444, 450 (D.D.C. 1967). While "[t]he scope of the doctrine is

undoubtedly wider when the interest conveyed relates to maters of high public concer, "Consumers Union of the United States, Inc. v. General Signal Corp. and Grey Advertising, Inc., supra at 473, the information being communicated here, although possibly not of great significance to the general public as a whole, is of sufficient importance to enable defendant to meet the second yardstick.

The third factor concerns the amount and substantiality of the portions copied. Plaintiff would have the Court adopt Professor Robbins' thesis and from known cases of copying (7 of 10 in 1980 and 8 of 8 in 1981) conclude that the copying was persuasive, and indeed, that plaintiff's cards were virtually the sole source of the information Moody's published on redemption of municipal bonds. The professor's analysis might

be persuasive if the Daily Called Bond Service and the M & G News Rep[orts covered the same material. However, it is clear that the two services perform different functions. Plaintiff seeks to keep track of all municipal and corporate bond redemptions occurring in the United States and of some of those abroad. Plaintiff estimated that 65% of its service deals with municipal redemptions and 35% with corporate bonds. Defendant only seeks to keep track of redemption of those municipalities whose securities it has rated. Moreover, redemption notices constitute merely one facet of the information Moody's provides about these securities and the financial character and structure of the governmental entities whose securities it rates.

The evidence at trial on 1981 publication of municipal redemption

notices showed that Moody's at times published these notices before plaintiff listed the data on its index cards, supplied redemption notices on some municipal bonds not published by plaintiff and, at times published the same information simultaneously with plaintiff. Defendant had information sources other than plaintiff's listings available to it. Moody's newspaper and wire services were more extensive than the plaintiff's. This seems to negate any inference that in copying 8 of 8 times in 1981 and 7 of 10 in 1980, it copied substantially all of plaintiff's index cards or secured substantially all of its published municipal redemption bond information from plaintiff in 1980 or 1981.

I cannot make the leap that 8 of 8 proven instances shows copying by defendant 91% of the time. Based on a

fair evaluation of all the facts in this case, 8 of 8 and 7 of 10 proven instances of copying show that defendant probably copied plaintiff's cards in some 20-24 instances throughout a given year when other sources did not provide the needed data.

Plaintiff has failed to establish substantial use of its work by Moody's. The simple facts on the index card--name of issuer, coupon number, redemption date, redemption price and redemption agent--would have to be the same or similar in any event where both parties are reporting on the same redemption bonds. It is also clear on this record that plaintiff at times relied on Moody's as a source of information about municipal redemptions and at times it was plaintiff's sole source. I find that defendant's copying or reliance on plaintiff's copyrighted material was

limited.

The final and most important factor in evaluating fair use is whether the defendant's use of plaintiff's materials tended to diminish or prejudice the potential sale of plaintiff's work. There is no evidence to show any such dimunition. Plaintiff has been publishing its Daily Called Bond Service for years and defendant has been publishing its M & G Manual and News Reports since 1918. Plaintiff introduced evidence, albeit for another purpose, which showed that an employee of the Federal Reserve Bank of New York, when checking approximately a year or more prior to trial to determine what organizations other than plaintiff provided information on bond redemptions, talked to people at Moody's about its service. According to the witness' recollection, somewhat hazy and probably

inaccurate at the time of trial, whe was told by Moody's people that plaintiff was Moody's sole source of bond redemption information. As a result, she advised her boss that the bank shoudl stick with plaintiff for this service. No adverse effect on the sale of plaintiff's Daily Called Bond Service could be adduced from this testimony.

Although in the opinion denying the motion for summary judgment I viewed the two parties as competitors, the proof at trial afforded little support for that conclusion. On the contrary, the proof demonstrated that the parties serviced separate, discrete markets. While the Court concedes that it may have inhibited plaintiff from doing more on the issue of competition by announcing in effect that the summary judgment determination was final, it is doubtful if plaintiff could have painted a different

picture. Moreover, the conclusion that the two are not competitors is strengthened by a lack of any evidence showing a decline in the number of subscribers to plaintiff's service or an increase in the number of subscribers to defendant's M & G Manual and News Reports resulting from defendant's appropriation of plaintiff's copyrighted work. Indeed, the parties have stipulated that plaintiff's subscribers to its Daily Called Bond Service and defendant's subscribers to its M & G Manual and News Reports have remained "relatively constance since 1978." Joint Pretrial Order, paragraphs 8-9, pp. 2-3.

Accordingly, I find that the fair use doctrine shields defendant's action and operates as a complete defense to plaintiff's claims under the Copyright Act. In view of this holding, the

federal claim of unfair competition is no longer viable.

While under New York law it is clear that the unfair competition may encompass an incalculable variety of illegal practices, Ronson Art Metal Works, Inc. v. Gibson Lighter Manufacturing Co., 3 A.D.2d 227, 230-31, 159 N.Y.S.2d 606, 609 (1st Dep't. 1957), and any form of commercial immorality, Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp., 199 Misc. 786, 796, 100 N.Y.S.2d 483, 492 (Sup. Ct. 1950), the only conceivable claim of unfair competition that is viable here is a claim that the defendant misappropriated plaintiff's Daily Called Bond Service to compete against plaintiff in their use of its Called Daily Bond Service. International News Service v. Associated press, 248 U.S. 215 (1918). In the absence of a showing

of competition and injury, the state law claim of unfair competition is unproved and the common law claim fails for insufficient proof as well.

Accordingly, all claims are dismissed and judgment is awarded defendant.

APPENDIX E

United States District Court
Southern District of New York

Financial Information, Inc.

v.

Moody's Investors Service, Inc.

---

81 Civ. 6001 (RLC)

May 23, 1983

Robert L. Carter, U.S.D.J.

This is a copyright action in which the plaintiff, Financial Information, Inc. ("FII"), charges the defendant, Moody's Investors Service, Inc. ("Moody's"), with copying the information that FII gathers and publishes each day on bonds called for redemption.[1] Moody's has moved for summary judgment pursuant to Rule 56, F.R.Civ.P., alleging, first that the daily bond data that FII publishes are individual facts and therefore not copyrightable as compilations and,

second, that FII has not registered its daily called bond service with the United States Copyright Office.[2]

FII, a publisher of financial information incorporated and with its principal place of business in New Jersey, distributes a daily called bond service to subscribers. Sheekey Aff. Para. 2. As part of this service, FII sends its subscribers notices, in the form of index cards, of approximately ten called bonds each business day. Id. On each card, FII publishes the name of the issuer of the bond, the type and interest rate of the bond, the redemption price, the redemption date, the redemption agent, and the serial numbers of the bonds called. Exh. 1 to Complaint. At the end of each year, FII publishes a cumulative volume of these called bonds by editing, alphabetizing and pasting together the index cards for

each year. Sheekey Aff. Para. 2.

Moody's, a Delaware corporation with its principal place of business in New York, is also a financial publisher. Complaint Para.s 2, 10. Among defendant's publications is its Municipal & Government Manual, which contains, inter alia, listings of bonds called for redemption. Callaghy Aff. Para. 3. Moody's supplements this manual with semiweekly fact sheets that contain updating information about called bonds and other matters. Id.

FII and Moody's are clearly competitors, and Moody's subscribed to FII's called bond service until this action was brought on September 28, 1981. Sheekey Aff. Para. 2.

When a municipality or other government body calls a bond for redemption, it publishes a notice of the call in one or more newspapers. Id.

Para. 3. Since all such notices are not published in a single place or journal and since issuers stop paying interest on bonds after the redemption date, financial institutions, which are ill-equipped to keep track of the thousands of call notices each year, subscribe to called bond services. These services keep tabs on and report all relevant calls. Id.

FII asserts that it undertakes considerable effort and expense in collecting, assembling and rewriting its notices on called bonds. Sheekey Aff. Para. 4. FII says it obtains call information by subscribing to many newspapers and financial publications around the country, by placing itself on the mailing lists of many issuers and redemption agents and by following up reported calls by telephone and through correspondence. Id. According to FII,

its personnel regularly check public notices and advertisements in at least 20 publications, including the Bond Buyer, the Boston Herald American, the Toronto Globe, the Lake Tahoe News, the Pittsburgh Post Gazette, and the New Orleans Times Picayune. Exh. D to Callagy Aff. Although FII has not stated how much it spends collecting call information, it says a subscription to its daily called bond service costs almost $300 per year. Sheekey Aff. Para. 4.

FII asserts that since 1974, defendant's Municipal & Government Manual, rather than obtaining its call information by perusing newspapers, financial publications and municipalities' mailed announcements, has simply copied its call notices from FII's daily cards. Complaint Para. 13. In 1980, when FII first suspected that

Moody's was copying FII's data on called bonds, FII inserted intentional errors into its daily cards. Id. Para. 14. Moody's evidently copied FII's deliberate errors. Exh. 1 to Complaint. FII next checked to see whether Moody's had copied accidental errors that had appeared in its daily cards, and FII discovered that Moody's had copied such accidental errors since 1974. Complaint Para. 16. A mathematician hired by FII estimated that the eight instances in which FII found that Moody's had reproduced its errors indicated that at least 50 percent of the municipal and government bond information published by Moody's was copied from FII's bond service. Robbins Aff. Para.s 5-6.[3]

All of FII's daily call cards carry a notice of copyright. Complaint Para. 17. FII says that it has registered its yearly compilations with the Copyright

Office, id. Para. 18, and asserts that the certificates of registration that it has received cover not only the annual volumes, but also each day's cards, which are ultimately incorporated into the cumulative volumes. While acknowledging that the annual compilations were registered, Moody's notes that FII never registered its daily cards with the Copyright Office. Callaghy Aff. Para. 9. It maintains that because this is so and because, in its view, the certificates for the annual volumes do not cover the cards published each day, the daily cards are not protected by the copyright laws. Furthermore, Moody's argues that the daily cards are not copyrightable.

DETERMINATION

Moody's makes two basic arguments why in its view the called bond data

that FII publishes each day cannot receive copyright protection: first, that the daily data are facts and therefore not copyrightable and, second, that the daily data are not compilations and are therefore not copyrightable as such.

Moody's is certainly correct in maintaining that facts are not copyrightable. See, e.g., Miller v. Universal City Studios, Inc., 650 F.2d 1365, 1368 (5th Cir. 1981); Hoehling v. Universal City Studios, Inc., 618 F.2d 972, 974, 979 (2d Cir.), cert. denied, 449 U.S. 841 (1980); Rosemont Enterprises, Inc. v. Random House, Inc., 366 F.2d 303, 309 (2d Cir. 1966), cert. denied, 385 U.S. 1009 (1967). In Hoehling, the Second Circuit rejected the appeal of the author of a history about the Hindenberg dirigible who asserted that his copyright was in-

fringed by a television studio that used his book as one of its historical sources in making a show about the dirigible. Judge Kaufman worte that "factual information is in the public domain[,]" 618 F.2d at 979, and that "the protection afforded the copyright holder has never extended to history, be it documented fact or explanatory hypothesis." Id. at 974. What is of course protected is "the author's original expression of particular facts." Id.

While facts have not been given copyright protection, compilations of such facts traditionally have been. See, e.g., Schroeder v. William Morrow & Co., 566 F.2d 3 (7th Cir. 1977) (directory of nurseries); Leon v. Pacific Telephone & Telegraph Co., 91 F.2d 484 (9th Cir. 1937) (telephone directory); Jeweler's Circular

Publishing Co. v. Keyston Publishing Co., 281 F. 83 (2d Cir.), cert. denied, 259 U.S. 581 (1922) (jeweler's directory); List Publishing Co. v. Keller, 30 F. 772 (C.C.S.D.N.Y 1887) (social register); see also 1 Nimmer on Copyright § 2.04[B] (1982). In a landmark copyright case, the Second Circuit succinctly stated the rule:

> A man's name, his occupation, his place of business, and his residence are none of them subjects or copyright.
>
> But, if a man compiles a book containing such information about the residents of a particular place, he may...copyright it as a whole, notwithstanding the fact that the separate parts of which it is composed are not copyrightable.

Jeweler's Circular Publishing Co., supra, 281 F. at 87; see also Schroeder v. William Morrow & Co., supra, 566 F.2d at 5 ("An original compilation of names and addresses is copyrightable even though the individual names and

addresses are in the public domain and not copyrightable"). Indeed, the Copyright Act of 1976 expressly provides for the protection of compilations, 17 U.S.C. § 103(a), which the Act defines as works

> formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.

17 U.S.C. § 101.

Thus, the pivotal question becomes whether FII's daily called bond data can be considered a compilation. Although it acknowledges that FII's annual volumes of called bond data are copyrightable compilations, Moody's asserts that the daily data are merely individual facts that cannot be considered compilations. Moody's argues that the ten or so index cards containing bond data that are published each

day are not such a "collection and assembling of preexisting...data...that the resulting work as a whole constitutes an original work of authorship." 17 U.S.C. § 101. Moody's relies most heavily on Triangle Publications, Inc. v. New England Newspaper Publishing Co., 46 F. Supp 198 (D. Mass. 1942), in which then District Court Judge Wyzanski stated:

> To constitute a copyrightable compilation, a compendium must ordinarily result from the labor of assembling, connecting and categorizing disparate facts which in nature occurred in isolation. A compilation, in short, is a synthesis. It is rare indeed that an analysis of any one actual occurrence could be regarded as a compilation. For an account of a single event to be subject to copyright, it must have individuality of expression or must reflect peculiar skill and judgment.

Id. at 201. Defendant's argument is, in essence, that FII, in publishing its bond data index cards, records only public information about single public

occurrences, i.e., bond calls, and does so without adding any "peculiar skill and judgment."

Moody's argument misses the mark, however. In publishing ten or twelve index cards each day, fifty of sixty each week, and some 2,500 in each year's cumulative volume, FII is unquestionably, to use Judge Wyzanski's words, "assembling, connecting and categorizing disparate facts which in nature occurred in isolation." Id. The FII employees who put together the daily called bond service assemble into one handy compilation disparate information about thousands of calls by hundreds of municipalities and other governmental entities in dozens of states. The principal thrust of the opinion in Triangle Publications, Inc., supra, was that information in a single daily race result chart which was gleaned from the

official race track program or bulletin boards was not copyrightable, but when dozens or hundreds of such charts were assembled, the charts then constituted a compilation and all the information in them was protected from any copying that went beyond fair use.[4]

In amassing its bond data, FII is not just assembling a handful of statistics about a single solitary occurrence, but is instead weaving together into a handy, coherent entity thousands of facts that "occurred in isolation. Id. Such a laborious, painstaking compilation is certainly the type that the copyright laws aim to protect. Schroeder v. William Morrow & Co., supra, 566 F.2d at 5-6; Leon v. Pacific Telephone & Telegraph Co., supra, 91 F.2d at 486; Dow Jones & Co. v. Board of Trade, 546 F. Supp. 113, 115 (S.D.N.Y 1982) (Carter, J.); National Business

Lists, Inc. v. Dun & Bradstreet, Inc., 552 F. Supp. 89, 94-95 (N.D. Ill. 1982);[5] see also Jeweler's Circular Publishing Co., supra, 281 F. at 88 ("The man who goes through the streets of a town and puts down the names of each of the inhabitants, with their occupations and their street number, acquires material of which he is the author. He produces by his labor a meritorious composition, in which he may obtain a copyright").

To accord copyright protection to the annual compilation but deny it to each daily component would negate the value of the protection accorded the yearly compilation. If a competitor were to be able to copy each day's quantum of FII's called bond cards with impunity, the copyright protection given to the annual volume would be rendered meaningless as to that copying competi-

tor. In urging the court to regard each day's quantum of cards in isolation, unrelated to all the cards coming before and coming after, Moody's in effect invites the court to see only the individual points in a pointillist painting and to be blind to the overall design. The traditional notion of blind justice does not require the court to be so insensitive to reality.

Just as an annual aggregation of called bond data should be considered a compilation, so, too, should each serial ingredient--be it the quarterly, monthly, weekly, or daily component--be considered a species of compilation.[6] If a cumulative volume warrants copyright protection as a compilation, then so do the serial components that ultimately comprise the cumulative tome--so long as there is adequate copyright notice on each component. Cf. Triangle

Publications, Inc., supra, 46 F. Supp. at 202 ("The copyright covers the whole compilation...That is, [it] covers the new pattern as such, including new threads, old threads, threads of fact from the public domain, and threads of copyrighted material").

The court's holding that each installment of a compilation that appears in serial components deserves the protection of the copyright laws is buttressed by the underlying goals of those laws. "[T]he real purpose of the copyright scheme is to encourage works of the intellect, and...this purpose is to be achieved by reliance on the economic incentives granted to authors and investors by the copyright scheme." Universal City Studios, Inc. v. Sony Corp. of America, 659 F.2d 963, 965 (9th Cir. 1981), cert. granted, ____ U.S. _____, 102 S.Ct. 2926 (1982). Although

they are not classic works of the intellect, compilations are the products of painstaking industry that serve the needs of their readers, albeit in a way different from more creative copyrighted works. To deny copyright protection to FII's daily called bond service, even while preserving it for the annual cumulative volumes, would go a long way toward destroying FII's incentive to collect and assemble bond data in a speedy, systematic way for the conveniences of its subscribers. Although according protection to compilations "does not fit nicely into the conceptual framework of copyright law," National Business Lists, Inc., supra, 552 F. Supp. at 92; accord Miller v. Universal Studios, Inc., supra, 650 F.2d at 1369-70;7 1 Nimmer on Copyright § 3.04 (1982), such protection of the compiler's diligence is essential "because

that is the only protection which is meaningful." National Business Lists, supra, 552 F. Supp. at 95; see also Denicola, Copyright in Collections of Facts: A Theory for the Protection of Nonfiction Literary Works, 81 Columbia L. Rev. 516, 528-31 (1981). Such protection is no less necessary for the serial installments of a compilation than for the cumulative compilation.

Lastly, Moody's argues that FII's action should be dismissed on the ground that the plaintiff has not satisfied the requirements of 17 U.S.C. § 411, which states that [n]o action for infringement of the copyright in any work shall be instituted until registration of the copyright claim has been made in accordance with this title." Moody's contends that the daily index cards should be treated as related, but nevertheless distinct, works and that

each should have to be registered separately.

FII argues, however, that its registration of its annual compilations covers the individual cards and thus the cards need not be registered one by one. FII asserts that it was proper for it to register just its cumulative volumes on the ground that 17 U.S.C. § 408(b)(2) requires the registration of the "best edition" of a work, and, according to FII, the annual volume is the best edition. Furthermore, FII states that it would be extremely cumbersome and expensive for it to register 2,500 index cards each year. See H.R. Rep. No. 1476, 94th Cong., 1st Sess. 154 (1976), reprinted in 1976 U.S. Code Cong. & Ad. News 5659, 5770; S. Rep. No. 473, 94th Cong., 1st Sess. 136 (1976) ("the requirement for separate registrations where related works or parts of a work

are published separately has created administrative problems and has resulted in unnecessary burdens and expenses on authors and other copyright owners").

The Copyright Act of 1976 authorizes the Register of Copyrights to allow a number of related works to be registered together as a group. 17 U.S.C. § 408 (c) (1). At the time that this litigation was commenced, however, the Register had not implemented regulations allowing for such group registration. Exh. H to Defendant's Motion for Summary Judgment.

Inasmuch as the annual compilations are nothing more than the aggregation of the index cards, it is more appropriate to regard the cards as integral parts of the overall compilation than as distinct, but related works. Because this is so, the court holds that the registration of the annual compilations

covers the integral parts of those compilations, i.e., the daily cards, and that it was proper for FII to register the cumulative volumes as the best editions of the aggregated cards.

That Moody's allegedly began infringing the daily cards before the annual volumes were registered need not delay us. This is so because so long as there was adequate notice, a copyright action may stand notwithstanding the plaintiff's failure to register its work after infringement began. Primcot Fabrics v.Kleinfab Corp., 368 F. Supp. 482, 485 (S.D.N.Y. 1974)(Gurfein, J.). In the instant case, FII gave clear notice of copyright on each of its cards.

Even if the cards were to be viewed, in the alternative, as related works, the court would be reluctant to hold that FII had to register each card

separately, first, because it would be unduly taxing on both FII and the Copyright Office for FII to make 2,500 registrations for 2,500 index cards each year and, second, because, through no fault of FII's, the Register has still not issued regulations on group registration.

For the foregoing reasons, defendant's motion for summary judgment is denied.

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No. -

Supreme Court, U.S.
FILED
JUN 17 1987
JOSEPH F. SPANIOL, JR.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1986

FINANCIAL INFORMATION, INC.

Petitioner,

—against—

MOODY'S INVESTORS SERVICE, INC.

Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

ROBERT M. CALLAGY
Counsel for Respondent
SATTERLEE & STEPHENS
230 Park Avenue
New York, New York 10169
(212) 818-9200

68 pp

COUNTERSTATEMENT OF QUESTIONS PRESENTED FOR REVIEW

Financial Information, Inc.'s ("FII") petition lists three questions for review. Each of FII's questions contains statements or assumptions which, as the record and the opinions below substantiate, simply do not reflect what occurred at trial or on appeal. Since the questions presented by FII are repetitious and argumentative, Moody's Investors

Service, Inc.[1] ("Moody's"), pursuant to Rule 34.2 of the Supreme Court Rules, restates the question presented as follows:

1. Whether the District Court's factual determination that FII's Daily Bond Cards -- consisting of five basic and functional facts about municipal bonds on a 4-inch by 6-inch index card

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[1]/Statement pursuant to Rule 28.1. The parent company of respondent Moody's is The Dun & Bradstreet Corporation, which has the following non-wholly-owned subsidiaries: Thomson Directories (Partnership); SITA, Societa per gli Indici Tessile e Abbigliamento-S.r.l.; Norges Markedsdata A/S; Interpanel A.G.; D & B Computing Services (France) S.A.; Dun & Bradstreet S.L.; A.C. Nielsen de Colombia S.A.; Teollisuuden Tielopalvelu Industrial Intelligence Ltd. Oy; Finnpanel Oy; Kululustutkimus Oy Marketing Radar Ltd.; AB Marketing Bo Jonsson; ABM Farmstat AB; and Panel de Gestion.

-- did not embody sufficient selectivity, coordination or arrangement to be copyrightable was clearly erroneous.

TABLE OF CONTENTS

COUNTER-STATEMENT OF QUESTIONS PRESENTED FOR REVIEW i

STATEMENT PURSUANT TO RULE 28.1 .. ii

TABLE OF CONTENTS iv

TABLE OF AUTHORITIES vi

COUNTER-STATEMENT OF THE CASE..... 3

A. PRELIMINARY STATEMENT 3

B. PROCEDURAL BACKGROUND 6

C. STATEMENT OF FACTS CONCERNING COPYRIGHTABILITY 10

D. CERTAIN FACTUAL MISSTATEMENTS AND OMISSIONS IN FII'S PETITION 23

REASONS FOR NOT GRANTING CERTIORARI 28

POINT I THE DISTRICT COURT'S OPINION THAT FII's CARDS ARE NOT COPYRIGHTABLE COMPILATIONS IS AMPLY SUPPORTED BY THE EVIDENCE 28

POINT II THE FINDINGS OF THE DISTRICT COURT DEPENDED UPON AN ASSESSMENT OF THE LACK OF CREDIBILITY OF AN FII WITNESS 49

CONCLUSION 54

EXHIBIT A..... 57

TABLE OF AUTHORITIES

CASES

Anderson v. City of Bessemer City, N.C., 105 S. Ct. 1504 (1985)..... 49

Dezendorf v. Twentieth Century Fox Film Corp., 99 F.2d 850 (9th Cir. 1938)..... 29

Eckes v. Card Prices Update, 736 F.2d 859 (2d Cir. 1984)..... 31, 42

Editorial Photocolor Archives, Inc. v. Granger Collection, 61 N.Y.2d 517, 474 N.Y.S.2d 964 (1984).....40

Financial Information, Inc. v. Moody's Investors Service, 751 F.2d 501 (2d Cir. 1984)..... 4 et passim

Financial Information, Inc. v. Moody's Investors Services, Inc., 231 U.S.P.Q. 803 (S.D.N.Y. 1986)..... 4 et passim

Financial Information, Inc. v. Moody's Investors Services, Inc., 808 F.2d 204 (2d Cir. 1986)..... 4 et passim

Harper & Row Publishers, Inc v. Nation Enterprises, 105 S. Ct. 2218 (1985)..... 30, 44

Inwood Laboratories, Inc. v. Ives Laboratories, Inc. 456 U.S. 844 (1982)..... 29

Kitchens of Sara Lee, Inc. v. Nifty Foods Corp., 266 F.2d 541 (2d Cir. 1959)..... 36

Oboler v. Goldin, 714 F.2d 211 2d Cir. (1983)..... 40

Original Appalachian Artworks, Inc. v. Toy Loft, Inc., 684 F.2d 821 (11th Cir. 1982)..... 28--29

Palermo v. Warden, Green Haven State Prison, 545 F.2d 286 (2d Cir. 1978)..... 50

PIC Design Corp. v. Sterling Precision Corp., 231 F. Supp. 106 (S.D.N.Y. 1964)..... 35, 38

Ricker v. General Electric Co., 162 F.2d 141 (2d Cir. 1947). 38--39

Rockford Map Publishers v. Directory Service Co. of Colorado, Inc., 786 F.2d 145 (7th Cir. 1985), cert. denied, 106 S. Ct. 806 (1986).....45, 47--48

Rosemont Enterprises, Inc. v. Random House, Inc., 366 F.2d 303 (2d Cir. 1966), cert. denied, 385 U.S. 1009 (1967)..... 30

Roy Export Company v. Columbia Broadcasting System, 672 F.2d 1095 (2d Cir.), cert. denied, 459 U.S. 826 (1982)..... 41

Salinger v. Random House, Inc., 811 F.2d 90 (2d Cir. 1987)..... 41

Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964)..... 40

Sweeney v. Research Foundation of State University of New York, 711 F.2d 1179 (2d Cir. 1983)..... 50

Triangle Publications, Inc. v. New England Newspaper Publishing Co., 46 F. Supp. 198 (D. Mass. 1942)..... 32

United States v. National Association of Real Estate Boards, 339 U.S. 485 (1950)..... 29

STATUTES

17 U.S.C. §101 (1982)..... 31

17 U.S.C. §301 (1982)..... 40

Fed. R. Civ. P. 52(a) 28

CONGRESSIONAL SOURCES

H.R. Rep. No. 1476, 94th Cong., 2d Sess. (1976) 44

OTHER AUTHORITIES

M. Nimmer, Nimmer on Copyright (1968)

§ 2.04..... 46
§ 2.11..... 46
§ 3.04..... 46

D. Stimson, Factual Compilations -- Copyright Protection for Compilation Depends Upon Degree of Originality Involved in Assembling Facts - Financial Information, Inc. v. Moody's Investors Service, Inc., 33 J. Copyright Soc'y 1 (October 1985).....46, 48

In the

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FINANCIAL INFORMATION, INC.

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Respondent.

BRIEF OF RESPONDENT MOODY'S INVESTORS SERVICE, INC., IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Moody's respectfully requests that FII's petition for a writ of certiorari be denied. Moody's submits that the opinion of the United States

Court of Appeals for the Second Circuit is fully supported by the evidence at trial and is fully consistent with the Copyright Act of 1976 and the cases interpreting it. Moody's further submits that this case turns entirely on narrow factual issues unique to this dispute, in which the trial court's determination of the lack of credibility of an FII witness played a significant role. Accordingly, Moody's respectfully asserts that this case is ill-suited for review by this Court.[2]

2/Pursuant to Rule 34.2, the items setting forth the Opinions Below, the Basis of Jurisdiction, and the Constitutional and Statutory Provisions involved have been omitted.

COUNTER-STATEMENT OF THE CASE

A. PRELIMINARY STATEMENT

FII's petition for certiorari scarcely mentions the item for which FII is claiming copyright protection. This studious omission is not surprising inasmuch as the so-called "work" is nothing more than a 4-inch by 6-inch index card containing the five bare bones facts about a given municipal bond: the name of the issuer and type of bond (e.g., water, sewage, etc.); the redemption date; the redemption agent; the identification of the specific bonds being called; and the redemption price. A copy of the set form which is used for each FII card is reproduced as Exhibit A to

this brief. The Second Circuit correctly called these cards -- and the procedure for collecting the five public domain facts they contain -- "rudimentary." (A-5.)[3] As the District Court and two separate panels of the Second Circuit have recognized, FII is actually claiming protection not for a copyrightable "compilation,"

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[3]/This brief cites the three decisions below in this case and adopts the abbreviations set forth in plaintiff's petition. References to the Second Circuit's first opinion, Financial Information, Inc. v. Moody's Investors Service, 751 F.2d 501 (2d Cir. 1984), are designated "C" followed by a page number. References to the District Court's opinion on remand, 231 U.S.P.Q. 803 (S.D.N.Y. 1986), are designated with a "B." References to the Second Circuits's opinion, 808 F.2d 204, unanimously affirming the District Court's opinion are designated with an "A."

but rather for the basic facts that it has copied from certain newspaper advertisements. (A-8, B-13--4, C-4--5.)

This is, in short, a fact-specific case that has virtually no implications with respect to the copyrightability of any other "work." Furthermore, this is a case wherein the District Court's assessment of the credibility of an FII witness plays an important role. The description of the alleged "selectivity, coordination or arrangement" recited in plaintiff's petition is drawn exclusively from the testimony of Frances Zawilski, an FII assistant editor who testified at the trial on remand. But the District

Court found Ms. Zawilski's testimony to be unworthy of belief, calling it "an attempt to enlarge and embellish a straight forward, simple but time consuming operation." (B-5--6.) The District Court and the Court of Appeals also noted that her testimony conflicted sharply with that of FII's managing editor, who was Ms. Zawilski's supervisor, and with that of a former FII researcher. (A-5--6; B-9.) For these reasons and for the reasons set forth hereinafter, defendant respectfully submits that this is not a case that warrants review by the Supreme Court of the United States.

B. PROCEDURAL BACKGROUND

On December 22, 1986, the United States Court of Appeals for the Second Circuit unanimously affirmed a judgment entered after a non-jury trial on remand before District Judge Robert L. Carter dismissing the complaint in this action which sought damages for copyright infringement and unfair competition.

In the initial trial, the District Court found that Moody's minimal use of material drawn from FII's service in its Municipal and Government News Reports ("News Reports") constituted a "fair use." The Second Circuit, on the record before it at the time, did not agree that Moody's had carried its burden of

establishing a fair use and remanded for further inquiry. At the same time, the Second Circuit expressed strong doubts that the index cards were copyrightable at all. (C-4, C-44.) The Second Circuit had directed the District Court to consider further whether plaintiff's daily bond cards, which, according to the Court of Appeals, involved "apparently little, if any skill or creative discretion" in their making, qualified as an "original work of authorship" entitled to copyright protection. (C-4--5, C-25--28.)

On remand, Judge Carter took additional testimony on the preparation of the cards and made

extensive factual findings on the degree to which FII engaged in "selection, coordination or arrangement," the statutory standard for copyrightability of a compilation. Based on his evaluation of conflicting evidence and, in particular, his assessment of the credibility of FII's only witness at the remand trial, Judge Carter held that "the modicum of selectivity, coordination or arrangement required ... to qualify for copyright protection is simply not present. There is no coordination or arrangement of the data except to codify it into a uniform mold." (B-15.) In addition, Judge Carter held that

FII's state law claims were preempted (B-20).

On appeal for the second time, the Second Circuit held that Judge Carter's conclusion was "amply supported by the record and certainly not clearly erroneous." (A-8.) Thus, two separate panels of the Second Circuit have considered this case and both doubted that an FII index card is a copyrightable compilation.

C. STATEMENT OF FACTS CONCERNING COPYRIGHTABILITY

FII's Bond Cards contain bare bones information about the redemption of bonds issued by all domestic municipalities. (A-5.) Printed on 4-inch by 6-inch index cards, the

Daily Bond Cards simply report the redemption price, date and agent for a bond which has been called for redemption. (A-5.) Packets of these cards are mailed to subscribers daily and often entirely omit the redemption information from the card and, instead, include photocopies of actual printed notices from issuers of the bonds.[4] (A-5.)

The District Court concluded that FII's employees perform no more than "a simple clerical task" in preparing the cards at issue. (B-13.) As the

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4/The individual daily cards are not registered with the Copyright Office. Plaintiff sought to register the cards as a single group registration, but the Copyright Office refused to issue a single registration for the cards.

Second Circuit held, this finding is amply supported by testimony from FII's own witnesses. (A-8.)

At trial on remand, plaintiff called only one witness, Frances Zawilski, an FII editor who had not testified at the first trial. On direct examination, plaintiff's attorney blatantly attempted to have Ms. Zawilski "tailor" her testimony in an attempt to claim that FII exercised some element of subjective judgment in preparing the cards. (B--4, 6, 8--9, and 13.) However, Ms. Zawilski could not, without the aid of notes prepared in her lawyer's office the evening before the hearing, testify to any facts along those lines. Not

surprisingly, Judge Carter found much of her testimony on direct examination to be unworthy of belief. (See infra Point II.) Yet, ironically, Ms. Zawilski's testimony on cross-examination established that the process engaged in by FII entails no "selectivity, coordination, or arrangement" whatsoever.

For example, Ms. Zawilski testified as follows:

> Mr. Callagy (counsel for Moody's): Now directing your attention to that tombstone (Ex. U), does that contain the name of the bond issuer?
>
> Ms. Zawilski: Yes, it does.
>
> Q: And what is the name that is specified on the tombstone?
>
> A: Jefferson County, Colorado.
>
> Q: . . . what is the name that appears for the issuer on your card?
>
> A: Jefferson County, Colorado.
>
> Q: Now go back to the tombstone, or source document. Does that give a description of the bond?

A: . . . Yes, it does give a description of the bond.

Q: And does that same description appear on the FII card?

A: Yes, it does.

Q: And does the tombstone, or source information, also contain the fact that the bond will be called on a given date?

A: Yes, it does.

Q: Does that same information appear on the card?

A: Yes, it does.

Q: Does the tombstone set forth a price at which the bond will be called?

A: Yes, it does.

Q: And is that same price, does that appear on the card?

A: Yes, it does.

Q: And does the tombstone also contain . . . the name of the redemption agent?

A: Yes, it does.

Q: And does the card contain the name of the redemption agent?

A: Yes, it does, and the address.

Q: By the way, why does the tombstone include the name of the redemption agent?

A: For precisely the same reason we do. It is necessary for the bondholder to know where to send the bond for payment.

Q: And why does the tombstone include the price?

A: To make it, the information, available to the broker about what he can expect in return when he surrenders the bond for payment.

Q: And why does FII include the price on there?

A: For the same reason.

Q: And does the tombstone include the date of the call?

A: Yes, it does.

Q: And why do they include the date of the call?

A: So that the broker will know that is the date on which the bond will cease to bear interest and must be surrendered for payment or they will be losing money.

Q: And why will he be losing money?

A: The bond will no longer be collecting interest. ...

Q: And why do you include the date of the call?

A: For the same reason.

Q: Why is there a description of the bond on the tombstone?

A: So that the broker will be able to identify the issue being called.

Q: And is that the same reason why FII includes that information?

A: Yes, it is.

Q: . . . -- you've already told us there is a name of [an] issuer on the tombstone.

A: Correct.

Q: Why is there a name of [an] issuer on your card?

A: For the same reason: identification.

In other words, FII's researchers did nothing but copy five facts from the tombstone advertisement onto an index card. (A-5; B-12--14.) The facts copied are always the same and they are absolutely dictated by the function that the cards perform. (B-12.)

This testimony confirmed the facts established at the first trial by the testimony of FII's Managing Editor.

Mr. Callagy (counsel for Moody's): Now, with respect to the cards that you prepared, the little three by five index cards, can you tell me how the editor goes about preparing the cards? Is there a set form that they fill the information in on?

Mr. Sheekey: We have a set form which only lists the redemption date, redemption price and redemption agent.

Q: All the editor does is fill in the date on the card?

A: No.

Q: Well, the date is put down on the card?

A: The redemption date?

Q: Yes?

A: Yes.

Q: And the price?

A: That's right.

Q: And the redemption agent?

A: That's right.

Q: And the bond numbers?

A: That's right.

And further:

Q: Is there a decision made or is that [redemption] price [listed on the FII card] set forth in the source?

A: Excuse me, the decision is the wrong word. We check through the notice to find the redemption price, and, of course, the redemption agent, and if there is -- excuse me -- a

redemption date and then if there is a redemption agent.

Q: But the redemption date is usually set out in the source?

A: Yes, some part of the notice.

Q: And the date, so there is no analysis that is required. It is simply a question of transposing these few facts onto your card. Isn't that correct?

A: With some degree of speed and accuracy as well.

Q: But you answer my question yes [don't] you?

A: Yes.

(emphasis added). Thus Ms. Zawilski and Mr. Sheekey both confirmed on cross-examination that FII's employees are engaged in the simple clerical task of skimming the tombstones and copying the five basic facts. The elaborate description of this process, advanced by FII's counsel in its petition for certiorari at page 23, is

in fact nothing more than a account of the acts of reading and copying.

As conceded by the FII employees who testified at the original trial and on remand, a daily card contains public domain facts essential to notify a bondholder that his bond has been called for redemption and nothing more. (B-9--13.) The facts are dictated by the function of the cards. (B-14.) FII exercises no selectivity as to which facts are included. (A-6--8.) First, the bond itself must be identified with the name of the issuing authority and a description of the bond, i.e., water, sewage, etc. Second, the information pertinent to redemption is provided: the date of

the redemption, the agent handling the redemption, the redemption price, and the identification of the bonds called. (B-11--12.) According to plaintiff's own witnesses, none of this information is "made up" by FII "invented" by FII, "created" by FII, or the product of any analysis of raw data by FII. Rather, every card contains the five facts which are simply lifted by FII from a source document, typically an official redemption notice or "tombstone." (A-5.)

In describing the method by which FII prepares its daily cards, FII's Managing Editor testified that an FII employee simply fills in a "set form"

(Exhibit A to this brief) to be sent to the printer with the description of the bond and the redemption agent, date, price, and the bond numbers, where necessary, by transcribing those facts from the original source onto the form. This procedure was confirmed by plaintiff's testimony on remand. FII's employees exercise so little effort in creating the cards that where the bonds described are too numerous to be transcribed accurately, FII, at least four times a week, attaches photocopies of tombstones to the card and supplies them to FII's customer. (B-6.)

As the Court can see, the "set form" (Exhibit A) is simply a 4-inch x

6-inch index card with blanks for the five facts. The use of the set form means that every daily bond card published by FII contains the same five facts. These factual elements are dictated by the function of the cards which, in FII's own words, is to present in "outline form," the facts a bondholder must know in order to redeem his bond. As FII promotional literature states: "SUPERFLUOUS MATTER (total amount called, references to indentures, etc.)" (emphasis in original) is not included because it is indeed superfluous to the specific function of the cards. As plaintiff conceded, information not included on

a card is "not critical" to its subscribers.

Moody's called Theresa Moore as a witness at the remand trial. Ms. Moore is a former employee of FII who had served as the researcher for the daily bond cards in 1980 and 1981, the only years at issue in this case. This witness confirmed that no "subjective analysis" was utilized in preparing the cards. "I just took the information from what I saw in the tombstones and the articles in the paper," Ms. Moore testified.

D. CERTAIN FACTUAL MISSTATEMENTS AND OMISSIONS IN FII'S PETITION

FII's petition is replete with factual misstatements of the record below. In particular, FII repeatedly

refers to "wholesale appropriation" by Moody's, but there has never been a finding that Moody's engaged in extensive copying. (A-7 n.1) Indeed, Moody's proved that it could not possibly have copied the majority of called bond entries because of publication schedules. On remand, Moody's was prepared to introduce a statistician's analysis of the number of entries Moody's could not have copied from FII's cards in 1980 and 1981. This analysis confirmed the testimony of Moody's witnesses at the original trial that an FII card was used as the source for a Moody's entry approximately 2 percent of the time. However, the District Court declined

to consider this evidence, limiting additional fact-finding to the issues of copyrightability, preemption, and damages.

In its petition, FII also neglects to mention that it knew for many years that Moody's used FII's daily bond cards as a source of information about the bond redemption notices yet FII never objected. (B-23--24.) For example, a Moody's employee testified that in 1979 he telephoned FII approximately ten times to obtain bond redemption information. When making these calls, the witness identified himself as a Moody's employee and requested clarification of data he had gathered from an FII

card. Because FII responded so willingly to Moody's inquiries, Moody's had no reason to believe that FII found its use of the daily bond cards in any way objectionable.

Also significant by way of background is FII's own reliance, in turn, on the Moody's News Reports, as well as many of Moody's other publications, in the preparation of its various services, including the Daily Bond Cards. (B-23--24.)

Indeed, FII relied on Moody's more than any other single source because of Moody's comprehensive coverage and the accuracy of its publication. Ms. Moore testified that she used Moody's at least four hours a

week in carrying out her research for the FII bond cards, reading each issue of the M&G Supplement from cover to cover. Ms. Moore also testified that in a typical scenario, FII would use Moody's to find out about bond redemptions it could not otherwise learn of. In summary, the facts adduced at trial confirmed not only that FII's cards are not copyrightable but also that Moody's acted fairly and openly at all times in connection with its minimal use of the public domain facts contained in FII's cards.

REASONS FOR NOT GRANTING CERTIORARI

POINT I

THE DISTRICT COURT'S OPINION THAT FII'S CARDS ARE NOT COPYRIGHTABLE COMPILATIONS IS AMPLY SUPPORTED BY THE EVIDENCE

Rule 52(a) of the Federal Rules of Civil Procedure mandates that "[f]indings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge the credibility of the witnesses." Whether or not FII's cards are copyrightable is a question of fact and the Second Circuit was therefore required to accord great deference to the findings of the District Court on this issue. See Original Appalachian Artworks, Inc. v.

Toy Loft, Inc., 684 F.2d 821, 824-25 (11th Cir. 1982) (whether there was sufficient "originality" to accord copyright protection was question of fact); Dezendorf v. Twentieth Century Fox Film Corp., 99 F.2d 850, 851 (9th Cir. 1938) (same). Moreover, it is well-settled that the reviewing court may not set aside a factual finding merely because it would have viewed the facts differently or given greater weight to certain evidence than the trial court gave. See, e.g., Inwood Laboratories, Inc. v. Ives Laboratories Inc., 456 U.S. 844, (1982); United States v. National Association of Real Estate Boards, 339 U.S. 485, 495-96 (1950). The Second

Circuit found that the District Court's opinion was amply supported by the evidence and was by no means "clearly erroneous." (A-8.) The applicability of the "clearly erroneous" standard of review makes this case particularly unsuitable for a grant of certiorari.

A. THE DAILY BOND CARDS ARE NOT "COMPILATIONS" UNDER THE 1976 COPYRIGHT ACT AND ARE THUS NOT SUSCEPTIBLE TO COPYRIGHT PROTECTION

It is axiomatic that "facts" or "ideas" are not subject to copyright protection. See Harper & Row Publishers, Inc. v. Nation Enterprises, 105 S. Ct. 2218, 2224 (1985); Rosemont Enterprises, Inc. v. Random House, Inc., 366 F.2d 303, 310

(2d Cir. 1966), cert. denied, 385 U.S. 1009 (1967). However, a compilation of such facts is susceptible to copyright protection if the compilation qualifies as "work formed by the collection and assembly of data that is selected, coordinated or arranged in such a way that the resulting work as a whole constitutes an original work of authorship." 17 U.S.C. § 101 (1982); accord Eckes v. Card Prices Update, 736 F.2d 859 (2d Cir. 1984). However, as the evidence at trial established, the cards issued by FII do not exhibit "the modicum of selectivity, coordination or arrangement required . . . for copyright protection." (B-15.)

As Judge Wyzanski explained in Triangle Publications, Inc. v. New England Newspaper Publishing Co., 46 F. Supp. 198, 201 (D. Mass. 1942):

> To constitute a copyrightable compilation, a compendium must ordinarily result from the labor of assembling, connecting and categorizing disparate facts which in nature occurred in isolation. A compilation, in short, is a synthesis. It is rare indeed that an analysis of any one actual occurrence could be regarded as compilation. For an account of a single event to be subject to copyright, it must have individuality of expression or must reflect peculiar skill and judgment.

Thus, a telephone directory might be validly copyrighted (although the cases are not entirely consistent on that point). But an index card containing three facts (the name,

address and number of a telephone owner) would not be a copyrightable compilation. That is precisely the sort of minimalist "work" for which FII is claiming protection.

Faced with the uncontroverted evidence that each card in this case contains the same five basic facts, which are merely transcribed from an official source onto FII's set form (Exhibit A hereto), plaintiff attempts in its petition to obfuscate the simplicity of its procedure. FII distorts the evidence to create the impression that "selection, coordination or arrangement" occurs with respect to the cards thus claiming each card a protectible

compilation in its own right. In particular, FII asserts that it must "select" which financial information relates to called bonds, rather than some other financial data.[5] This claim is belied by the record. There is no secret about which information relates to redemptions. This information most often appears as paid advertisements -- "tombstones" -- in newspapers and financial journals. In

---

5/FII's argument that it exercises selectivity boils down to the notion that, of all the facts in the world, it has selected municipal bond calls to report upon. See FII Petition p. 21 n.5. If this satisfied the statutory standard for "selectivity," every list of facts, no matter how crude or obvious, would be a copyrightable compilation, since it necessarily could not contain all of the facts in the world.

its cards, plaintiff makes no distinction between types of redemption notices, not even distinguishing corporate from municipal bonds, but includes all types of call notices in its daily bond cards. Clearly, as plaintiff's testimony and advertisements establish, FII exercises no selectivity or subjective judgment in determining which redemption notices it will publish; it publishes all of them. Thus, plaintiff testified: "We attempt to cover everything we can." As explained in PIC Design Corp. v. Sterling Precision Corp., 231 F. Supp. 106 (S.D.N.Y. 1964), where the selection of elements is merely

dictated by functional consideration and is therefore not original, the "work" will not be protected by copyright. See also Kitchens of Sara Lee, Inc. v. Nifty Foods Corp., 266 F.2d 541 (2d Cir. 1959).

FII also claims that it omits various facts contained in the source advertisements in creating its cards. But in omitting these various items plaintiff does not exercise any judgment, for the information it must include on its cards is dictated by its "set form," which is, in turn, dictated by the function of the cards to notify bondholders of redemptions.

Finally, FII has claimed that its arrangement of the data on each

index card satisfies the "originality" standard of copyright. But here too the evidence is to the contrary. For example, the fact that FII places the description of the called bond at the top of every index card is surely functional -- it identifies the subject of that card. Indeed, Ms. Zawilski conceded that major banks and brokerage firms use the same type of heading when listing bonds. The remaining three elements, which appear

in mere outline form, are not susceptible of sufficient variation in arrangement or expression so as to make plaintiff's order of price, date and redemption agent protectible. For example, in PIC Design Corp. v. Sterling Precision Corp., supra, 231 F. Supp. at 106, a table of fourteen figures was held not copyrightable because its "arrangement" reflected a "general method" for listing the information. Similarly, in Ricker v. General Electric, 162 F.2d 141 (2d Cir. 1947), plaintiff set forth scientific information on a form intended to be both readable and understandable to the layman. The Second Circuit rejected the notion

that any copying of that format could amount to a claim of copyright infringement.

> And in considering that issue [infringement] it must be remembered that the plaintiff has no monopoly of the scientific information with which her book deals; nor has she a monopoly of the idea of expounding such information in simple language comprehensible by lay readers.

Ricker, 162 F.2d at 142.

Thus, as the District Court concluded and the Second Circuit confirmed, plaintiff has failed to show that it exercises selection, coordination or arrangement sufficient to turn its cards into "original works of authorship" susceptible of copyright protection. (A-8; B-15.) Because of the functional arrangement

of the facts on the cards, plaintiff can make no claim that its particular format for listing those public domain facts is protectible under the copyright law.

6/ FII impermissibly attempts by way of a footnote to raise its claim that state law misappropriation claims have not been preempted by the Copyright Act. See FII Petition p. 18 n.4. Aside from the fact that this issue has not been properly raised in FII's Questions Presented, preemption is clearly mandated on the facts in this case, as the Second Circuit held. (A-10.) See 17 U.S.C. § 301 (1982); Sears, Roebuck Co. v. Stiffel Co., 376 U.S. 225 (1964). The New York Court of Appeals has expressly acknowledged that the Copyright Act preempts misappropriation claims such as plaintiffs'. See Editorial Photocolor Archives, Inc. v. Granger Collection, 61 N.Y.2d 517, 474 N.Y.S.2d 964 (1984); accord Oboler v. Goldin, 714 F.2d 211, 213 (2d Cir. 1983). Nor does FII's claim fall into the "hot news" exception because "FII proved neither the quantity of copying nor the immediacy of distribution" necessary to sustain such a claim.

FII stridently criticizes the Second Circuit for allegedly failing to protect incentives for authors. Actually, as demonstrated by the recent case of Salinger v. Random House, Inc., 811 F.2d 90 (2d Cir. 1987), the Second Circuit has been extraordinarily protective of copyright holders. The Second Circuit has upheld the copyrightability of compilations in numerous important decisions. See, e.g., Roy Export Company v. Columbia Broadcasting System, 672 F.2d 1095 (2d Cir.), cert.

(A-11.) In any event, the District Court found that plaintiff could not establish the elements of a state law misappropriation claim even if such a claim had not been preempted. (B-20--23.)

denied, 459 U.S. 826 (1982). In its most recent major opinion on the copyrightability of compilations, Eckes v. Card Prices Update, 736 F.2d 859 (2d Cir. 1984), the Second Circuit ruled that a publication listing 18,000 different baseball cards was copyrightable. In Eckes, the Second Circuit had "no doubt that appellants exercised selection, creativity and judgment." Id. at 863. By contrast, in this case, two separate panels of the Second Circuit noted the total absence of "selection, coordination, or arrangement" on the part of FII. The finding that FII's index cards are not copyrightable works is a reflection of the rudimentary nature

of the cards themselves, not a reflection of some bias against copyright holders in the Second Circuit. In fact, plaintiff has pointed to no previous case involving an alleged compilation in which the Second Circuit was under-protective of the copyright holder's rights.

Contrary to FII's contentions, the opinion of the Second Circuit does not conflict in any way with any decision of this Court. To the contrary, the District Court and the Second Circuit have carefully applied the most fundamental principle of copyright law as announced by this Court -- that copyright protects only the expression of facts, not the facts

themselves. See Harper & Row Publishers, Inc. v. Nation Enterprises, 105 S. Ct. 2218, 2224 (1985); see also H. R. Rep. No. 1476, 94th Cong., 2d Sess. at 56 (1976) ("copyright does not preclude others from using the ideas or information revealed by the author's work").

Furthermore, plaintiff has in effect conceded that there is no meaningful disagreement among the Circuits regarding the theory of affording protection to compilations. See FII Petition p. 27 n.7 ("sweat of brow theory is really [a] red herring"). As FII acknowledges, the Seventh Circuit has recently backed away from its "sweat of the brow"

theory of copyrightability. See Rockford Map Publishers v. Directory Service Co. of Colorado, Inc., 768 F.2d 145 (7th Cir. 1985). There is now a broad consensus of opinion among courts and commentators that only the statutorily required exercise of selection, coordination or arrangement can confer copyrightability upon a compilation.

As Judge Newman suggested in his concurrence in the Second Circuit's first opinion in this case, those few cases suggesting that copyright should be extended solely because of laborious effort tend to be older, disfavored cases. The statutory criteria for protection of

compilations that Congress articulated in 1976 when it enacted the current copyright statute should have made it clear that such cases are no longer good law. These older cases have also been sharply criticized by the commentators. See, e.g., M. Nimmer, Nimmer on Copyright §§ 2.04[B] at 2-42 n.16, 2.11[E], and 3.04 (1986).

The "sweat of the brow" theory demands undue originality from a second author and accords the compiler a virtual monopoly on public domain facts. The theory advanced by FII thus contradicts the most basic principles of the Copyright Act. See generally D. Stimson, Factual Compilations -- Copyright Protection

for Compilation Depends Upon Degree of Originality Involved in Assembling Facts - Financial Information, Inc. v. Moody's Investors Service, Inc., 33 J. Copyright Soc'y 1 (October 1985) (hereinafter "Factual Compilations").

FII relies upon Rockford Map, supra, in arguing that its elemental index cards are copyrightable. However, in contrast to FII, the plaintiff in Rockford Map had engaged in extensive selection, coordination or arrangement of facts. Plaintiff started by adapting an aerial photograph into a basic map; then it translated conveyancers' metes and bounds into pictorial representations superimposed upon the maps. Thus the

activities of Rockford Map Publishers entailed a substantial original contribution to the underlying public domain data, including a complete transformation from one medium to another. FII's activities involved no such original contribution. There is no reason to conclude that the Seventh Circuit applying Rockford Map would conclude that FII's index cards are copyrightable. Indeed, Rockford Map, Eckes, and virtually all of the recent compilation cases can be readily harmonized. Cf. Factual Compilations, supra, at 13--14.

B. THE FINDINGS OF THE DISTRICT COURT DEPENDED IN SIGNIFICANT PART UPON AN ASSESSMENT OF THE LACK OF CREDIBILITY OF AN FII WITNESS

The District Court's determination that FII engaged in little or no selection, coordination, or arrangement was based in large measure on oral testimony, and, as such, that finding can be disturbed only in the most unusual circumstances. As this Court discussed in Anderson v. City of Bessemer City, N.C., 105 S. Ct. 1504, 1512 (1985):

> When findings are based on determinations regarding the credibility of witnesses, Rule 52 demands even greater deference to the trial court's findings; for only the trial judge can be aware of the variations in demeanor and tone of voice that bear so heavily on the listener's

> understanding of and belief in what is said.

Accord Sweeney v. Research Foundation of State University, 711 F.2d 1179, 1185 (2d Cir. 1983) (reviewing court must accord great deference to district court on matters such as assessment of credibility of witnesses and resolution of conflicting permissible inferences); Palermo v. Warden, Green Haven State Prison, 545 F.2d 286, 293 (2d Cir. 1978) ("an appellate court, equipped only with a 'cold' record, is appropriately reluctant to reject the credibility evaluations of the district court").

In its petition for certiorari, FII bases its claim that it exercised selectivity, coordination, or

arrangement upon certain testimony by Ms. Zawilski. But as the District Court opinion makes clear, Judge Carter simply did not believe Ms. Zawilksi's testimony. For example, Judge Carter notes in his opinion that on remand FII "introduced evidence tailored to the Court of Appeals opinion" (emphasis added). (B-4.) Judge Carter also observed that "the court is now convinced that the testimony on remand was an attempt to enlarge and embellish a straightforward, simple but time consuming operation" (emphasis added). (B-5.) Again at B-6, the District Court noted, "[n]o matter how FII attempts to dress it up, all it does

is provide its subscribers with the requisite bond redemption data in simplified form for easy and ready reference" (emphasis added).

Additional statements in Judge Carter's opinion further underscore that he considered the testimony of FII's sole witness on remand to have been largely fabricated. Thus at B-8--9, he stated that "Frances Zawilski ... gave a far more inflated version of her training process as an FII researcher" and went on to note that "Zawilski's testimony is in sharp contrast to the testimony at the first trial of George Sheekey, FII's managing editor" (B-9 emphasis added). And, yet again, at B-13, Judge Carter

said, "[despite] FII's effort on remand to modify [Sheekey's] testimony in order to show that a process of selection or arrangement took place within the guidelines set by the Court of Appeals, it is clear that FII's researchers perform a simple clerical task" (emphasis added).

In short, basing his opinion explicitly on an assessment of the credibility and demeanor of various witnesses who gave conflicting oral testimony, Judge Carter concluded that FII's witnesses had been relatively candid about the issues of selectivity, coordination, or arrangement at the first trial when FII believed that "sweat of the brow"

was sufficient to confer copyrightability, but that FII's sole witness at the trial on remand had distorted the truth in a vain effort to show that FII had satisfied the statutory requirements for copyrightability.

CONCLUSION

The Second Circuit correctly held that the factual findings of the District Court were amply supported by the evidence. Accordingly, defendant respectfully submits that FII's petition for a writ of certiorari to the Second Circuit should be denied in its entirety.

Dated: New York, New York
June 12, 1987

Respectfully submitted,

By: Robert M. Callagy

Robert M. Callagy
(A Member of the Firm)
SATTERLEE & STEPHENS
Attorney for Defendant-
Respondent
MOODY'S INVESTORS
SERVICE, INC.
230 Park Avenue
New York, New York 10169
(212) 818-9200

EXHIBIT A

MUNICIPAL REDEMPTION

REDEMPTION PRICE -

REDEMPTION DATE -

REDEMPTION AGENT -

Amount
Numbers of called

MUNICIPAL REDEMPTION

Supreme Court, U.S.
FILED
JUN 29 1987
JOSEPH F. SPANIOL, JR.
CLERK

No. 86-1863

IN THE

Supreme Court of the United States

OCTOBER TERM, 1986

FINANCIAL INFORMATION, INC.,

Petitioner.

– against –

MOODY'S INVESTORS SERVICE,

Respondent.

REPLY BRIEF IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

ARTHUR M. LIEBERMAN
DAVID A. KALOW
Counsel for Petitoner
LIEBERMAN, RUDOLPH & NOWAK
292 Madison Avenue
New York, New York 10017
(212) 532-4447

TABLE OF CONTENTS

INTRODUCTION 1

I. CERTIORARI SHOULD BE GRANTED BECAUSE THE PETITION PRESENTS IMPORTANT QUESTIONS OF LAW, E.G., THE STANDARDS FOR PROTECTION NOT NARROW ISSUES OF FACT 3

II. THE EXHIBITS, WITHOUT REFERENCE TO TESTIMONY, SHOW ORIGINALITY: THE FII CARDS WERE NOT JUST COPIED FROM SOURCE 8

III. THE PROPER TEST, REJECTED BELOW, IS "CONTRIBUTION," NOT "EFFORTS" 15

CONCLUSION 19

TABLE OF AUTHORITIES

CASES

Bleistein v. Donaldson Lithographing Co., 188 U.S. 239 (1903) 12

Bose Corp. v. Consumers Union of U.S., Inc., 466 U.S. 485 (1984) 9

Congressional Committee v. Legi-Tech Corp., 795 F.2d 190 (D.C. Cir. 1986) 7

Eckes v. Card Prices Update, 736 F.2d 859 (2d Cir. 1984) 15

Editorial Photocolor Archives, Inc. v. Granger Collection, 61 N.Y.2d 517, N.E.2d 365, N.Y.S.2d 964 (1984) . . 4

Harper & Row Publishers, Inc. v. Nation Enterprises, 471 U.S. 539 (1985) . 3, 4

Kitchens of Sara Lee Inc. v. Nifty Foods Corp., 266 F.2d 541 (2d Cir. 1959) . 12

National Business Lists, Inc. v. Dun & Bradstreet, Inc., 552 F. Supp. 89 (N.D. Ill. 1982) 16

Oboler v. Goldin, 714 F.2d 211 (2d Cir. 1983) 4

PIC Design Corp. v. Sterling Precision Corp., 231 F. Supp. 106 (S.D.N.Y. 1964) 13

Rand McNally & Co. v. Fleet Management Systems, Inc., 634 F. Supp. 604 (N.D. Ill. 1986) 8

Ricker v. General Electric, 162 F.2d 141 (2d Cir. 1947) 13

Rockford Map Publishers v. Directory Service Co. of Colorado, Inc., 768 F.2d 145 (7th Cir. 1985) . 8, 11, 14, 16, 18

Salinger v. Random House, Inc., 811 F.2d 90 (2d Cir. 1987) 6

Sherry Mfg. Co. v. Towel King of Florida, Inc., 753 F.2d 1565 (11th Cir. 1985) 7, 9

Southern Bell Telephone and Telegraph Co. v. Associated Telephone Directory Publishers, 756 F.2d 801, (11th Cir. 1985) 8

OTHER

1 Nimmer on Copyright 2.01[B] 13

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FINANCIAL INFORMATION, INC.,
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Respondent.

PETITIONER'S REPLY BRIEF

INTRODUCTION

This is not a credibility case. All the essential facts are documentary and undisputed, presenting the fundamental and important question of law in dispute: whether the Law of Copyright will fulfill its promise of protecting authors of compilations against substantial, indeed massive copying, or will betray its promise by imposing unduly high barriers to protectability.

The Second Circuit's special and "particularly restrictive" standard [1] conflicts with the teachings of this Court and the holdings in other Circuits, presenting this Court with an issue of law, not a narrow factual dispute. Review is sought for fundamental legal questions, not credibility issues. Review is sought merely to give a remedy for a wrong, the proper purpose of the law.

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[1] Moody's argues that any list, no matter how clear or obvious, would be a copyrightable compilation under FII's theory (RB 34). Moody's attacks a straw man. The Court is dealing here with copying in the 40-50% range (C 40) which the Second Circuit characterized as "substantial" and perhaps wholesale (C 38). It is dealing with copying which is so massive as to go beyond the limits of excusable fair use. It is dealing with copying for which there is no public policy justification whatsoever, as Moody's itself admits that it is readily able to produce its own called bond service without copying from FII. Granting FII a remedy would in no way monopolize public domain facts or overextend copyright protection.

I. CERTIORARI SHOULD BE GRANTED BECAUSE THE PETITION PRESENTS IMPORTANT QUESTIONS OF LAW, E.G., THE STANDARDS FOR PROTECTION, NOT NARROW ISSUES OF FACT

Respondent Moody's would have the Court believe that the case has no general significance and FII lost because its witnesses lied. [2]

But the issue is not credibility, it is that the Second Circuit is not in

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[2] While obviously we submit that Ms. Zawilski spoke the truth, our petition for certiorari in no way depends on such factual issues. Assuming Ms. Zawilski lied, or even that there were no witnesses, this Court can look at the source material and the cards (See Point II below and the "Lodging" submitted herewith) to see selection, coordination or arrangement. This Court can decide for itself whether the test for copyrightability should not be unduly raised. It can decide for itself, even assuming all credibility issues in Moody's favor, that the Second Circuit has once again (see Harper & Row) imposed excessive, incorrect standards on protectability, excessively favored infringers and thereby severely damaged the rights and incentives of first authors.

accord with a so-called "broad consensus" (Respondent's Brief, hereinafter "RB" at 45) of other Circuits; this Circuit proudly confesses its own restrictiveness (Petitioner's Main Brief, "PB" at 10, n.2) and has previously been reversed by this Court for its excessive and studious inattention to the rights of creators and protection of their creations. Harper & Row Publishers, Inc. v. Nation Enterprises, 471 U.S. 539, 545-46 (1985) ("Second Circuit gave insufficient deference" to Copyright's incentives for authors).

For the purposes of deciding whether or not to grant certiorari [3], this

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[3] We continue also to urge review on misappropriation; the cases simply do not support FII-5's view that such claims are preempted or inapplicable here. See Oboler v. Goldin, 714 F.2d 211 (2d Cir. 1983) (use of radio plays -- not hot news); Editorial Photocolor Archives, Inc. v. Granger Collection, 61 N.Y.2d 517, 463 N.E.2d 365, 474 N.Y.S.2d 964 (1984) reproduction of photographs

Court need not decide whether Petitioner's or Respondent's arguments are correct, or whether the Second Circuit or Seventh Circuit test for copyrightability more closely approaches the intentions of the Constitution and the Copyright Act; only that these matters are matters of importance, meriting this Court's review.

The questions Petitioner presented for review -- e.g., whether data based factual compilations should be held to a particularly restrictive standard of copyright -- are not questions of fact, but are questions of law, appropriate for this Court's review. /[4] The Second

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-- not hot news).

[4] Apart from the copyrightability of the individual cards, there is also an important question as to whether copyrightability should be considered on the basis of a year's output or some smaller units, such as monthly, weekly, daily or individual cards. Any compil-

Circuit's "particularly restrictive" standard and denial of copyright protection to works of non-fiction has been expressly and repeatedly stated in the past two decades (PB 10, 30). /[5] This raises the fundamental issue of the

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ation sufficiently dissected can be deemed uncopyrightable since individual facts can never be protected by the copyright law. Thus, while a phone book is copyrightable, an individual entry is not. Is the law to permit wholesale copying if done for years on a piecemeal basis? Modern data bases can be updated daily, hourly or even by the minute or second. Is the entire data base denied protection because each individual component can be stolen, piece by piece, and the pieces may not be readily copyrightable?

[5] The Second Circuit's hostility toward factual works is not disproved, as Moody's argues (RB 41), by the recent Salinger v. Random House, Inc., 811 F.2d 90 (2d Cir. 1987), as Moody's counsel should know better than anyone: at issue were unpublished letters of a renouned author of fiction, not a history book or compilation.

standard by which copyrightability is determined, a clear question of law. /[6]

Petitioner seeks review of this "particularly restrictive" Second Circuit standard. This excessive standard directly affects the copyrightability of data based compilations in the Second, and other, Circuits; conflicts with the principles taught by this Court; conflicts with the history and purpose of the Copyright Clause of the Constitution; and conflicts directly with the holdings of many other circuits (as so stated by the D.C. Court of Appeals in Congressional Committee v. Legi-Tech Corp., 795 F.2d 190, 194 (D.C.

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[6] Even if a particular work's copyrightability under the correct standard may be itself a question of fact; but see Sherry Mfg., infra at 9.

Cir. 1986) (PB 29). /[7] There is dispute, not consensus, in the circuits.

II. THE EXHIBITS, WITHOUT REFERENCE TO TESTIMONY, SHOW ORIGINALITY: THE FII CARDS WERE NOT JUST COPIED FROM SOURCE

Copyrightability of compilations can often be based on documentary evidence: look at the source and then look at the differences /[8] in the resulting work

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[7] See also Southern Bell Telephone and Telegraph Co. v. Associated Telephone Director Publishers, 756 F.2d 801, 810 (11th Cir. 1985) (noting conflict in standards for "originality" and viability of misappropriation theory); Rand McNally & Co. v. Fleet Management Systems, Inc., 634 F. Supp. 604 (N.D. Ill. 1986) (analyzing Rockford Map and noting "restrictive standard" in Second Circuit).

[8] Moody's suggested that FII would have to make up or create facts, not simply extract them from public domain sources, in order to create a copyrightable compilation (RB 20). Even the slightest analysis demonstrates that this assertion makes no sense. Both phone books and maps are two classic compilations which are clearly copyrightable. Neither is a work of

presented for copyright protection (see "Lodging": samples of sources and FII cards). This Court has held that the presumption of correctness that attaches to factual findings has less force when applied "to findings based on documentary evidence". Bose Corp. v. Consumers Union of U.S., Inc., 466 U.S. 485 at 500 (1984); see Sherry Mfg. Co. v. Towel King of Florida, Inc., 753 F.2d 1565, 1569, note 6 (11th Cir. 1985) (contrary to Moody's (RB 28-29), appeals court examined differences in designs to decide originality and copyrightability as a matter of law). This Court can see for itself the transformation that takes place from the tombstone or other sources.

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fiction; in neither would one find made up towns, rivers, names or addresses.

Moody's has supplied the Court with a blank FII card which, like the blanks in a crossword puzzle or an LSAT test, require intelligence and judgment to fill in correctly. The samples of source material (see "Lodging") show a host of numbers, dates, names, etc. FII must select from all of these which dates, numbers and words correctly correspond to the categories it has chosen to report, and then arrange the chosen information. /[9]

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[9] Notice that there are eleven (11) dates on the Hatfield/Montgomery source (E4); FII had to select which of these were the correct dates for bond series, due date and redemption date--a judgment it initially made incorrectly (compare corrected card of August 28 to original card of August 6, page E-1). Errors of judgment, we submit, show per se that judgments are involved.

The combining of different sources (E12 and 13; E66-69) into one FII card (E9; E62), shows coordination of underlying, public domain facts. The added information (entire address on E-22 and "Terminal Annex Station" on E-23) not present on the source material

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(E26-27), shows additional FII "coordination" through cross-reference and address files.

It is undisputed that FII has changed and reconsidered its selection of which areas of information were sufficiently "critical" -- in its own subjective business judgment -- to belong in the FII cards. Over the years, FII stopped reporting on when interest was payable and past calls, and added "CUSIP" numbers.

FII chooses to include the redemption price, even though this information is not needed by the holder of the bond in order to redeem. FII chooses to omit the total value of the call, total number of bonds called, trustee name, source identification, presentation method, sinking fund information and whether the bond is registered, even though this information has uses to subscribers and, indeed, some was included by some competitors.

We do not claim this is a work of genius, but rather that such mundane works are important in their own way, and deserve the minimal protection against massive -- near 50% -- copying (of expression, not idea) that many other Circuits would grant (see PB 21). As Rockford Map Publishers v. Directory Service Co. of Colorado, Inc., 768 F.2d 145 (7th Cir. 1985), teaches, smaller contributions should not be denigrated and ignored, but rather protected to a lesser extent (PB 35).

FII's cards are thus not simply functionally dictated, but reflect choices and judgments as to several matters, unlike the ingredients list in Kitchens of Sara Lee Inc. v. Nifty Foods Corp., 266 F.2d 541 (2d Cir. 1959) (list functionally dictated by food inside package). Although FII does not claim to be a "work of genius," some human intelligence and judgment is needed; a child, robot or fool would do it wrong. [10] It is on this precise issue we

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[10] We think it reprehensible that the District Court found it significant that one of FII's workers had but a mere high school education (B 8). Can only college graduates or Ph.D.'s create compilations? As Justice Holmes warned in a related context, it is a "dangerous undertaking for persons trained only to the law to constitute themselves judges of the worth" of commercial works, "outside of the narrowest and most obvious limits." The worth of plaintiff's work "is sufficiently shown by the desire to reproduce them without regard to plaintiff's rights." Bleis-

seek review by this Court: availability vs. denial of protection for works which do not display inventive genius, but mere "originality" in the sense of differing from, not merely copying, source material (see PB 24-25).

Contrary to Moody's suggestion, FII in no way claims protection for the facts themselves. /[11] Subscribers are unquestionably permitted to use those

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tein v. Donaldson Lithographing Co., 188 U.S. 239, 250 (1903), quoted at 1 Nimmer on Copyright 2.01[B] at 12.

[11] Moody's citations (RB 38) in fact support FII. In Ricker v. General Electric, 162 F.2d 141, 142 (2d Cir. 1947), the "sole issue" was infringement, not copyrightability; the court agreed the work was protectable but not copied. So too in PIC Design Corp. v. Sterling Precision Corp., 231 F. Supp. 106, 110-11 (S.D.N.Y. 1964), the table of "14 figures" was not plaintiff's work, but the court's listing of drawings that were copied; the court only questioned whether infringement was shown by similarities resulting from the same facts; however, the appearance of the same errors did show copying.

facts to redeem their bonds, and competitors who subscribe to FII (as Moody's used to) are perfectly entitled to check their own called bond services against FII, to increase accuracy and completeness. Indeed, FII did so use its rivals, the publications from Moody's and Standard & Poors. Such a "check" use has long been understood as proper, whereas mere copying is not. Rockford Map at 149. Moody's attempt to confuse its copying and FII's checking, and obscure the check-copy distinction, strikes at the heart of compilation law. /12

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12 Moody's correctly notes that FII knew for many years that Moody's was a subscriber (RB 25); FII had assumed that Moody's also was checking, not copying, a perfectly permissible use by a rival. There was no knowledge, much less acquiesence, in Moody's extensive copying. When this was discovered, suit was promptly brought.

III. THE PROPER TEST, REJECTED BELOW, IS "CONTRIBUTION," NOT "EFFORTS"

Moody's continues its argument, accepted in FII-5 and FII-4, that FII exercises too little effort (RB 21) in creating the cards. This standard, adopted by the decision below [13] reflects basic, legal error. The Seventh Circuit had previously rationalized extending copyrightability by saying that effort, hard work, sweat of the brow should be enough to create copyright protection even if it was difficult for judges to delineate

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[13] Although the Second Circuit paid lip service to the correct test ("results not efforts" at A 7), it did not use this test, deciding on the basis that FII's "efforts" were much less than those of the Ph.D. in Eckes v. Card Prices Update, 736 F.2d 859 (2d Cir. 1984). Thus the Second Circuit thought that the "crucial issue on remand involved FII's efforts," and that too "little" independent creation was involved (A 3, 8).

selection, coordination or arrangement. /[14] But until FII-5, no Circuit had ever said that a lack of hard effort denies copyrightability. As Rockford Map /[15] makes clear, copyrightable works can be created in a lifetime or in a moment (768 F.2d at 148).

Moody's argues the absence of disagreement among the circuits (RB 44); we disagree. While the Seventh Circuit has made an effort towards harmoni-

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[14] The courts in that Circuit had even done so to protect compilations of Moody's parent, National Business Lists, Inc. v. Dun & Bradstreet, Inc., 552 F. Supp. 89 (N.D. Ill. 1982).

[15] The Rockford Map rationale (standard for copyrightability is low, but protection is proportional to amount of original contribution) protects the fundamental incentives for first authors necessary to copyright law. There remain inherent safeguards to protect subsequent authors and the public, once copyrightability is established -- e.g., fair use and the "substantial similarity" tests.

zation, by abandoning the "sweat of the brow" theory, the Second Circuit has stood that theory on its head and used a concept intended to extend protection as an excuse to deny protection for lack of perceiving sufficient labor. /[16] Labor should not be the test to either grant or deny protection, and the Second Circuit's use of a reverse labor theory is precisely the legal error requiring review and reversal. At present, minimal judgment, such that a high

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[16] A photographer can point his camera to a landscape, shoot a picture in a second -- or even set the automatic timer and throw the camera into the air and have no control at all as to when the picture is taken -- and create a copyrightable work. A painter could throw a can of paint (or paint-coated worms) against a canvas, and create a work which is copyrightable. These creations can require no "effort" (and perhaps no judgment and intelligence) whatsoever, yet the works -- even if only 4" x 6" -- are copyrightable. The correct issue for judges is not "how much work," but "is there some contribution?"

school student is capable of, is not sufficient in the Second Circuit to justify protection -- and this is a bad law (supra at 12).

There should not have to be huge amounts of judgment or intelligence displayed in the work in order for there to be copyrightability. Even small contributions should be protected; they receive less protection but they should receive some protection [17]. That protection is all that FII has ever asked; it is that protection that it

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[17] The key teaching of Rockford Map, which the Second Circuit obviously disagrees with, is that there does not have to be a great deal of selection, coordination or arrangement; and this was the key for that court finding irrelevant defendant's argument that too little effort was required to make Rockford's work (768 F.2d at 248). If the contribution ("expression") is rudimentary, protection per Rockford Map will be minimal, requiring more substantial similarity of expression, not merely the similarity that is functionally dictated or required by the facts -- as there was here.

would have received in the other circuits; and it is that protection which it has been denied in the Second Circuit.

Contrary to Moody's arguments, FII is only looking for protection of the expression of facts, not the facts themselves (see RB 43, 44). But here there was such extensive similarity of expression, copying proven beyond the limits of tolerable fair use. /[18]

CONCLUSION

On its face, FII's case may carry no glamour, not having the memoirs of an

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[18] Moody's asserts that there has never been a finding that it engaged in extensive copying (RB 24), ignoring the Second Circuit's reversal (FII-3) based on "substantial if not wholesale copying" (C 38) as shown by the extensive reproduction of errors. Moody's would have this Court believe that only the errors were copied, offering (RB 24) this Court non-nonsensical statistical proofs properly excluded from the record.

ex-president, or the entire video cassette recorder (VCR) industry at stake. But beneath the fact of a small company massively copied by a large competitor, and beneath the injustice in denying any remedy for that wrong, lies an issue worthy of this Court's attention: the protectability of factual compilations (e.g., maps, directories, phone books and computer data bases). Creation of these works of non-fiction, both old and new, is important in our society, deserving of the protection of Copyright, and ought not to find the promise of protectability a false one.

Respectfully submitted,

June 26, 1987

Arthur M. Lieberman
David A. Kalow
Lieberman, Rudolph & Nowak
292 Madison Avenue
New York, New York 10016
(212) 532-4447